

# Auditor's Annual Report on West Midlands Fire and Rescue Authority 2020-21

March 2022



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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 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.



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# Executive summary



## Value for money arrangements and key recommendation(s)

We presented our Audit Plan to the Audit & Risk Committee on 7 June 2021. In this we set out the revised approach to Value for Money work for 2020/21 onwards. We noted there are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We reported at that time that we had not identified any risks of significant weaknesses from our initial planning work. We have continued our review of your arrangements, and are now able to issue our auditor's annual report.



## Financial sustainability

The Authority continues to enjoy a comparatively healthy financial position. This has been achieved through robust financial management and cost savings, with robust arrangements in place to monitor activity and report to both management and committee members.



## Governance

The Authority has robust governance arrangements in place, including risk management and internal audit. These have continued throughout the pandemic.



## Improving economy, efficiency and effectiveness

The Authority has a history of tackling areas where it believes savings can be made, without comprising service delivery. Key performance indicators are included in quarterly reports to Full Authority, underpinned by robust data.



## Covid-19 Arrangements

The Authority has had robust arrangements in place to deal with its response to the Covid-19 pandemic, receiving a complimentary report from HMICFRS in January 2021.



## Opinion on the financial statements

We have completed our work on the audit of the Authority's financial statements and include our detailed findings in our Audit Findings Report. We issued an unqualified audit opinion for 2020/21.

# Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 8.



# Financial sustainability



## We considered how the Authority:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any “Significant Weaknesses”.

## Key findings

On the 17 February 2020 the Authority’s budget of £100m which included a Council Tax Requirement of £44m was approved. As a result of a more favourable government settlement in 2020/21 there was a £2m improved funding position compared to budget forecasts in February 2019. The Authority decided to utilise the improved settlement position to reduce the scale of savings required based on previous forecasted budgets by £1m, deferring the use of £0.75m from the general fund in 2020/21 and investing £0.25m in digital services to enhance future operational capability.

The financial planning at this time also looked at 2021/22 and 2022/23 where it was anticipated that a balanced position would be achieved across the forthcoming years, based on 2% Council Tax increases, inflation assumptions and continuation of Section 31 government grant to fund employer’s firefighter pension contribution increase. The assumptions applied at this point of time were deemed reasonable.

In the middle of 2018/19 the Authority introduced a risk-based approach to fleet management to help the Authority meet its budget shortfalls within its financial efficiency plan and this was first mentioned in the budget report for 2019/20. The impact of this was monitored on a quarterly basis and reported to the **Strategic Enabling Team** [SET]. Going into 2020/21 a saving of £2.8m was required, and the Authority applied the following principles, resourcing to risk and demand, aligning fleet availability o key contact time, maintaining late shift availability and a flexible approach to respond to seasonal risk.

The Authority delivered a £5m underspend against a final budget of £44m, with a final outturn of £39m. The significant variations were in respect to contingency underspends and staffing costs not realised as a result of Covid-19. The underspend did not impact the service delivery of the Authority, with all statutory responsibilities fulfilled.

The 3 Year Strategy 2021-24, “Our Plan” and Annual Plan 2021-22, sets the Authority’s strategic direction for the medium term. The Authority bases its financial planning based on the strategy and objectives within these to ensure consistency of approach and enable delivery requirements to be met. The key areas covered by “Our Plan” include ensuring response priorities deal excellently with emergency incidents, prevention to support safer and healthier communities and protection priorities to focus on stronger businesses and safer communities. These areas of focus are built into how the Authority manages its finances to deliver these objectives.

The Fire & Rescue Authority carries out its duties under the Fire and Rescue Services Act 2004 in relation to fire prevention, fire safety, firefighting and rescues, including emergencies such as road traffic collisions and flooding events. Unlike local councils, there aren’t any discretionary services that have a net negative financial impact - the additional services provided are designed to be revenue generating - such as working with other blue light services.

We are satisfied that from our review of the arrangements that the Authority has in place over financial sustainability that there are no significant weaknesses which we need to bring to your attention.

# Governance



## We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any “Significant Weaknesses”.

## Key findings

Because of the nature of the services the Fire Authority provides, it takes risk management extremely seriously, both in operational and non-operational aspects. The Authority has a structured risk management framework in place which supports its assessment and treatment of its corporate risks. Corporate risks are defined by the Authority as those which if they occurred would seriously affect the Authority’s ability to carry out its core functions, or deliver objectives set out in “The Plan”. Risks are identified by a variety of sources including the Audit and Risk Committee, Strategic Enabling Team (SET), Quarterly Performance Review (QPR), intelligence by organisational and operational pathways, work of the Organisational Assurance Team and feedback from any group or member of the Authority. The corporate risks identified are assigned a suitable risk owner and these are captured in the Corporate Risk Assurance Map. Each risk is assigned a risk estimation based on the likelihood and impact. On a quarterly basis the position statement against each risk is drafted and is reported to the QPR. The Audit and Risk Committee is presented with the summary and position statement twice yearly, and if there are any significant changes to the corporate risk environment, this update will be taken to the next Audit and Risk Committee. Having assessed the risk management process at the authority and its reporting we are satisfied that the arrangements over identification, monitoring, and treatment of corporate risk are appropriate.

Internal Audit is provided by Sandwell Audit Services. From review of internal audit work, and attendance at Audit and Risk Committee, we can confirm that internal audit is adequate and effective. The Internal Audit function has in place a three-year Internal Audit strategy and annual audit plan which provides sufficient coverage of the Service’s risk environment.

The Audit and Risk Committee receives update reports at each meeting, and these summarise the key messages and conclusions, providing sufficient assurance to enable it to assess whether internal controls have operated as expected.

The annual budget is built to support the statutory responsibilities of the authority and to deliver the objectives set out in the Annual Plan and the 3 Year Strategy 2021-24. The budget setting process is seen as a key part of the Authorities arrangements to establish the level of funding available and how it uses this to deliver its key priorities and services. Budget-holders have access to real time financial management information. The nature of the budgets means that there are few for which profiling is relevant. Financial monitoring reports are presented to the Fire Authority on a quarterly basis. All forecast variances against individual budget lines are reported. The body of the reports explains the larger variances, and changes to previous budgets, in detail. Budget changes are approved by Committee (or Full Authority) within each quarterly report.

The Authority undertakes public consultation of the people who live, work and travel within the West Midlands, and take these views into account when developing their 3 year strategy and annual plan. The last consultation of the public occurred in 2020.

The Fire Authority share its provisional budget with District Leaders, to ensure that appropriate levels of funding are agreed in respect to Council Tax. For the 2021/22 this included the impact of the provisional 2021/22 financial settlement

From our review of the arrangements that the Authority has over governance we have not identified any significant weaknesses which we need to report on.

# Improving economy, efficiency and effectiveness



## We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any “Significant Weaknesses”.

## Key messages

The Authority has in place a number of targets against operational and performance indicators to ensure that the Authority maintains and improves upon its service delivery in the region. Performance information is submitted and considered regularly by SET, so to help performance and provide assurance around the ongoing performance against the annual plan. The performance indicators the following areas

- Response, Prevention and Protection
- People
- Safety, Health and Environment
- Strategic Objective as outline the Authority’s “Our Plan”

Key performance indicators are included in quarterly reports to Full Authority. The analysis of quarterly performance is made against the annual plan.

The Fire Authority is subject to inspection by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services [HMICFRS] with the last full inspection being undertaken in 2018/19 where the Authority was rated overall good across each of the three areas, Effectiveness, Efficiency and People, with limited improvement recommendations. Any improvement points highlighted in the report were acknowledged by the Authority, and considered in its future service delivery.

A further review was undertaken by HMICFRS in respect of Covid-19 arrangements, we have considered the findings of the report in more detail, on page 8 of the report where we specifically look at Covid-19 arrangements.

The Authority has established arrangements with neighbouring fire and rescue services in Staffordshire, Warwickshire, Hereford and Worcester and Shropshire, for reciprocal support at times of peak demand. " These arrangements are formalised in documented agreements between services. The Authority also holds 'Observer' status within the West Midlands Combined Authority, which provides the ability to fully participate in the debate and work of the Combined Authority and actively contribute to better joint working and visioning for public sector services.

The Authority has a statutory duty to ensure that procurement of supplies, works and services represent the most cost-effective solution and value for money is achieved. On its website the Authority outlines its procurements processes, which includes the use of Corporate Procurement Section, which uses competitive or joint arrangements to get the best value out of its corporate contracts. The procurement procedures are governed by internal standings orders, financial regulations and EU Procurement Directives. We are satisfied that the procurement process at the Authority are appropriate.

Looking forward, the Authority has a capital programme in place from 2021/2022 to 2023/24. The programme is predominately funded through earmarked reserves and there is an overall deficit of £1.4m in funding for the 3 year period against a total budgeted spend of £14.9m, which we do not deem to be significant. We also have noted that there is slippage in delivery of the Capital Programme at the authority, but this is due to the impact of Covid-19 and associated supply chain issues, which is reflective of national issues.

# 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.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any "Significant Weaknesses".

## Key messages

The Covid-19 pandemic is a global event that has impacted all people and organisations. The Fire Authority during this period has had to continue to provide this key service with a number of restrictions imposed.

The Fire Authority responded to the pandemic by reducing the extent of non essential activity so that firefighters were able to continue to respond to emergency calls, while also supporting the county wide response.

The Authority allowed its staff to work flexibly and efficiently during the pandemic, making use of technology to implement agile working and video conferencing where required and plans to adopt these changes into its usual procedures. The Authority used technology to conduct safe and well visits and business fire safety audits remotely, and to stay in touch with the public.

No significant weaknesses in controls have been raised by Internal Audit. Governance has adapted appropriately, with meetings happening through Teams. We have not seen any diminution in the quality of debate or challenge as a result of the pandemic.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services COVID-19 Inspection took place between 5 and 16 October 2020, reporting in January 2021. The report summarises "In Summary, we were impressed by how the service evolved its ways of working during the pandemic. This enabled it to continue to provide its statutory functions, as well as supporting the wellbeing needs of its staff. The service updated its plans as it understood the new risks introduced by the pandemic and has already started to develop plans to adapt and adopt the best aspects of its new ways of working."

The financial position of the Authority was not significantly impacted by the pandemic, the service received £4.6m of extra government funding to facilitate its response. The main extra costs incurred were in relation to extra staffing costs, PPE, ICT and building alterations. The additional funding meant that the authority did not need to use any of its reserves to meet these extra costs.

During the pandemic staff wellbeing was an area of focus for the Authority. Mental wellbeing support was available to the Authority's staff. The Authority effectively identified staff most at risk from COVID-19, including those from a black, Asian and minority ethnic background and those with underlying health problems, and worked with staff to develop and implement strategies for support and safety.

In our view the Authority has appropriately responded to the challenges made by the pandemic to continue to deliver key services to the public and provided arrangements for its staff to work throughout the period, and therefore there is no evidence of significant weaknesses in its arrangements.



# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 19 October 2021.

## Audit Findings Report

More detailed findings can be found in our ISA 260 report, which was presented at the 27 September Audit and Risk Committee.

## Whole of Government Accounts

The Fire Authority is below the threshold for an audit of the Whole of Government Accounts (WGA) return. However, the guidance and template return is not expected until July 2022, so we are unable to conclude our audit at this stage.

## Preparation of the accounts

The Authority provided draft accounts in line with the national deadline of 30 July,

## 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 Authority



## Role of the accountable officer:

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

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

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

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

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

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

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



# Appendix B - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the 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

# Appendix C – 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 a 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 a public interest report.

## 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 an application 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 an advisory notice.

## Judicial review

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

We did not make an application for a judicial review.



