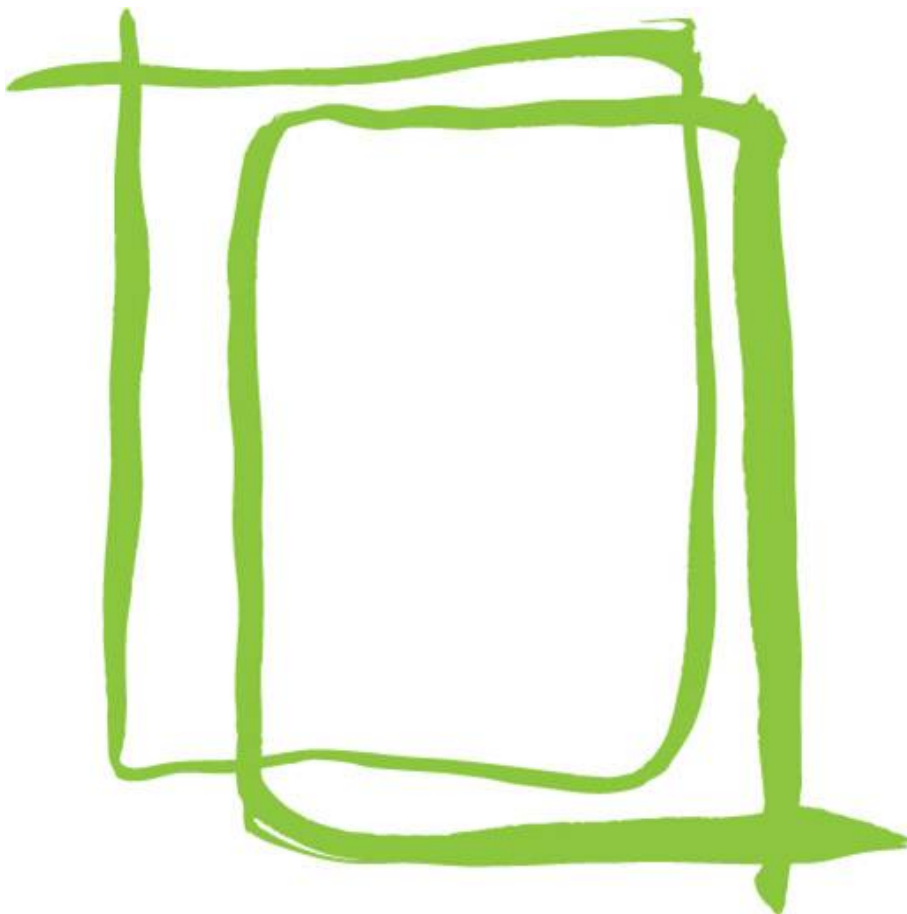


Use of Resources

Tyne and Wear Fire and Rescue Authority

Audit 2008/09

October 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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Summary

This report summarises the key findings from our assessment of how Tyne and Wear Fire and Rescue Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.

- 1 The Audit Commission has assessed the Authority's arrangements overall at level 3 (performing well).
- 2 In setting the context for the scores this year it is important to highlight that the use of resources methodology has changed. Judgements are now much more strategic and less detailed, with a focus on outcomes rather than processes. The standard required to demonstrate level three performance has been raised, and level four scores reserved for genuinely exceptional performance.
- 3 The Authority has demonstrated strong performance across a number of the Key Lines of Enquiry (KLOE). In particular the Authority:
 - integrates financial and service planning, is well placed financially and maintains good budgetary control. There is a clear commitment to high quality financial reporting;
 - works well in partnership with others to contribute to wider community outcomes;
 - has a clear understanding of what skills and staffing levels are required to deliver service improvements, and invests accordingly. Effective processes are in place to manage sickness absence and prevent accidents at work;
 - communicates well with staff and partners, and has successfully managed significant organisational change whilst maintaining a highly motivated workforce;
 - collects comprehensive, accurate performance data; and
 - has good systems of governance and internal control.
- 4 The Authority has delivered significant efficiency savings in recent years. Real costs have fallen by 6% since 2004, and precept increases were the lowest of all fire authorities nationally in 2008/2009 and 2009/2010. The organisation is becoming much more successful at targeting resources where they are needed most, and evaluating the outcomes and improvements that have been delivered.
- 5 A small number of improvement areas have been identified which include the following:
 - the cost and quality of back office functions has not been subject to review;
 - the Authority provides little information to stakeholders and the public in relation to policies on sustainability and its environmental footprint; and
 - although there is a strong commitment to equality and diversity, with much improved female representation in the workforce, the Authority employs a very low proportion of BME, LGBT and disabled staff.
- 6 Our detailed findings against each of the themes and KLOEs are set out below.

Introduction

7 This report sets out:

- my scored use of resources judgements; and
- my conclusions on how well Tyne and Wear Fire and Rescue Authority (the Authority) is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.

8 In forming my scored theme judgements, I have followed the methodology set out in the [use of resources framework: overall approach and key lines of enquiry \(KLOE\) document](#) and the use of resources [auditor guidance](#). For each of the specific risks identified in relation to our use of resources work, which were set out in our audit plan, we considered the arrangements put in place by the Authority to mitigate the risk and planned our work accordingly.

Use of resources framework

9 From 2008/09, the new use of resources assessment forms part of the [Comprehensive Area Assessment \(CAA\)](#) and comprises three themes that focus on:

- sound and strategic financial management;
- strategic commissioning and good governance; and
- the management of natural resources, assets and people.

10 The scores for each theme are based on the scores assessed by me on underlying KLOE. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements under CAA. This promotes consistency, demonstrating all organisations within a CAA area are treated in the same way, and to the same standards.

11 The Commission specifies in its [annual work programme and fees document](#), which KLOE are assessed each year.

12 Judgements have been made for each KLOE using the Commission's current four point scale from 1 to 4, with 4 being the highest, please see table one. Level 1 represents a failure to meet the minimum requirements at level 2. To ensure consistency, scores are subject to rigorous review at both regional and national level.

Summary

Table 1 **Levels of performance**

Level 1	Does not meet minimum requirements – performs poorly
Level 2	Meeting minimum requirements – performs adequately
Level 3	Exceeds minimum requirements – performs well
Level 4	Significantly exceeds minimum requirements – performs excellently

Source: [use of resources framework: overall approach and KLOE document](#)

Use of resources judgements

Scored judgements

13 The Authority's use of resources theme scores are shown in table 2. In setting the context for the scores this year it is important to highlight that the focus of use of resources is now more on outputs and outcomes rather than processes, and is more strategic than detailed. As a result:

- the standard required to demonstrate level three performance has been raised, and focuses on the outputs and outcomes that demonstrate effective arrangements which have the intended impact;
- level 4 scores have been reserved for genuinely exceptional performance; and
- assessments in relation to value for money and partnership working are embedded across all KLOE areas rather than considered separately in isolation.

Use of resources judgements

Table 2 Use of resources theme scores

Use of Resources Theme	Scored Judgement
Managing finances How effectively does the organisation manage its finances to deliver value for money?	Level 3
Governing the business How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	Level 3
Managing resources How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?	Level 3

Managing finances

Table 3 Managing finances - KLOE scores

KLOE	Score	Overall theme score
1.1 Financial planning	3	Level 3
1.2 Understanding costs and performance	2	
1.3 Reporting financial performance	3	

Financial planning

14 The Authority is well placed financially and the medium term financial plan sets out how balances will be used to support corporate initiatives and deliver key objectives. Significant savings have been delivered through the IRMP, by implementing 4x4 crewing arrangements, flexitime as opposed to a rigid shift system and 1 or 2 tender response to all but the most serious incidents. Real costs have fallen by 6% over the last 5 years and 2008/09 and 2009/10 precept increases were the lowest of all fire and rescue authorities. The Authority has shifted £4m away from emergency/response work into preventative community safety, influencing a significant reduction in the number of deliberate and accidental dwelling fires.

- 15** District commands have been introduced, coterminous with local authority boundaries, to provide a clearer focus on LSP/ LAA activity and increase involvement in partnership working. The Authority participates in a large number of multi-agency initiatives to tackle deliberate fires and anti-social behaviour, and improved evaluation processes are helping to ensure that resources are directed at the most effective activities which deliver value for money. Efficiency logs are maintained in all stations and departments - savings identified are small but widespread, evidence that a value for money culture is embedded across the whole organisation.
- 16** The Authority has consulted widely with key stakeholders and the public on the IRMP and the Strategic Community Safety Plan .Other recent examples of consultation include the proposed replacement of Fulwell Fire Station, and equality impact assessments have led to:
- changes in the design of community fire stations to improve disabled access; and
 - fitting ramps to outreach vehicles
- 17** Budgets are well managed and budget managers are aware of their roles and responsibilities. Recent decisions on the purchase of aerial platforms and breathing apparatus demonstrate good use of financial modelling, option appraisal and member involvement to maximise value for money. Quarterly financial reports are presented to the Joint Committee together with the annual budget and medium term financial plan. The governance committee review and approve the annual accounts. Financial information is scrutinised thoroughly, but in an appropriate manner, by members, and non elected members with financial expertise have been co-opted onto the governance committee to facilitate this. A well attended, and well resourced, Members Training and Development Programme has been reviewed in the light of consultation with members to include financial matters.

Understanding costs and performance and achieving efficiencies

- 18** The Authority serves a highly urbanised area with challenging demographic factors. There is a clear understanding of costs, cost drivers and how cost and performance compares with others. This has led to significant improvements in value for money - real costs have reduced by 6% over last five years and £5.1 million in efficiency savings have been claimed in the past 4 years through revised crewing and shift pattern changes. Plans are in place to continue to reduce costs while improving or maintaining performance where appropriate. This includes further revisions to crewing and staffing deployment, and a revised approach to service review.
- 19** The use of whole life costing is well established and procurement is driven by clear understanding of opportunities to collaborate nationally, regionally and with other local agencies as appropriate. In addition decisions have been made to assist LSPs deliver on wider social environmental and economic factors.

Use of resources judgements

- 20** Cost and performance information is used in financial and service planning and there is a clear emphasis on reducing costs whilst maintaining or improving performance. The maintenance of very effective response to incidents has been maintained despite reductions in stations and changes to crewing and a significant investment in community safety is clearly having a positive impact on performance overall. Costs and overall performance for the service is not significantly higher than other metropolitan fire authorities given relevant demographic factors and the local priority of very good response times. The Audit Commission's national report 'Rising to the Challenge' highlights a number of issues for all fire and rescue authorities to consider, and the Authority has responded positively to the matters raised.
- 21** Whilst there has been a very clear focus on front line performance, the Authority acknowledges that the cost and quality of back office functions has not yet been subject to detailed review, and best value service reviews have not always had a clear focus on assessing and improving value for money. Plans are in place to address these issues during 2009/10.

Reporting financial information

- 22** Budgets are well managed and the use of virement demonstrates a proactive approach to financial management, for example this year by transferring savings on vacant posts and leasing charges to finance special appliances and additional new clothing. Some budgets are delegated to service level, and a small budget is made available to district managers to spend on local partnership working and 'spend to save' initiatives. The Authority regularly reviews the financial performance of significant partnerships, which it links to outputs. It shares and acts on these results with partners. Annual budgets are based on a bidding process, with zero based budgeting for key components.
- 23** Budget monitoring and forecasting information is presented to the Joint Committee and the senior management team every quarter. Reports are up to date and understandable, and prompt action is taken in response to unfavourable or unexpected variances. There are clear links between financial and performance information, the Finance Manager has consulted on the format of reports and these are tailored so that they meet individual budget holders' and decision makers' needs. There have been no significant instances of overspending in recent years and no instances where poor financial management has had an adverse impact on service delivery or led to a failure to achieve corporate priorities.
- 24** There is a clear commitment to high quality financial reporting. Draft accounts and working papers have been of an exemplary standard in recent years. The website contains a wide variety of information, policies and plans, and the Authority produces an annual report each year which sets out targets and objectives, PI performance and user/stakeholder views. The annual report summarises financial information in a user-friendly way, with pie charts, tables and graphs. Consultation is undertaken every 3 years to inform the content and format of the annual report. However, there is little information available to the public in respect of the Authority's commitment to sustainability and its environmental footprint.

Table 4 Governing the business - KLOE scores

KLOE	Score	Overall theme score
2.1 Commissioning and procurement	3	Level 3
2.2 Data quality	3	
2.3 Good governance	3	
2.4 Risk management and internal control	3	

Commissioning and procurement

- 25** There is a clear understanding of how commissioning and procurement contribute to achieving the organisation's objectives. Two major PFI schemes (phase 1 completed, phase 2 under way) have yielded significant financial savings and enabled the Authority to take a strategic view of where fire stations, HQ buildings and training facilities should be sited, and whether they should be owned or leased. The IRMP process is the key driver for the review of equipment, including fire appliances. Consultation is undertaken on key procurement decisions such as the recent proposals to change operational uniforms.
- 26** Generic procurement is good with a well balanced approach to using the national firebuy scheme, regional collaboration and purchasing through the NEPO partnership for local government. Partnership arrangements have enabled the Authority to buy in financial, HR and legal services rather than provide them in house, and to access specialist skills (eg on financial planning and PFI schemes) without needing to engage external consultants. Links with local businesses and the chamber of commerce are good and consultation with them has led to a web-based approach to generic procurement which supports local businesses whilst still achieving value for money.
- 27** Regional collaboration has also yielded successful outcomes on recruitment and training, though there may well be scope to do more, and the regional control centre project is well under way.

Data quality

- 28** Performance monitoring is robust and based on well presented, up to date information. Detailed performance management reports use traffic lights and trend analysis to highlight areas for action. Tracking of action plans by HQ staff ensures that action identified is carried out. There is a performance review sub-committee in place which is well established and proactive in its role.

Use of resources judgements

- 29** The reduction in NI indicators directly relevant to fire authorities in the new LAA data set mean that the ability to obtain comparative data could be compromised, but the Authority is proactively working with other metropolitan areas through benchmarking clubs to ensure that key indicators continue to be used. The recently introduced electronic HR systems have improved monitoring of training and development needs and sickness management down to station level, with a corresponding reduction in sickness levels.
- 30** Staff responsible for data quality and data security have appropriate job descriptions and person specifications, and receive regular training. Risks to data integrity are reflected in risk registers, and there are clear policies in place to manage data security. An ICT system security policy is in place and compliance checked via regular Internal Audit review.
- 31** The quality of partnership data is variable, but data is readily shared. The Authority is increasingly active in strategic partnerships and using sophisticated data analysis to understand the impact that wider LAA targets, health and lifestyle factors can have on fire and rescue objectives.

Data quality - audit spot checks

- 32** The Authority understands the importance of good data quality. This is clearly articulated in the corporate data quality policy, compliance with which is monitored as part of risk management arrangements. Changes to recording practice, and the new national fire incident recording system have been introduced effectively and there is a 100% validation process to ensure accuracy of key performance data.
- 33** As part of our audit work this year we have undertaken spot checks on the following.
- NI 33 - Number of arson incidents.
 - NI 49 - Number of primary fires, related fatalities and non fatal casualties.
 - Local PIs on sickness absence - days and shifts lost through sickness by a) firefighters and b) all staff.
 - Local PIs on health and safety - number of injuries and near misses, numbers of shifts lost by both firefighters and other staff due to injuries sustained at work.
- 34** In all cases we established and evaluated the systems in place to capture the data, and the operation in practice of the Authority's own quality assurance regime. We also checked the basis of calculations and sample tested source data. No errors were identified from this sample testing, and we have no concerns over the quality of data used to measure the Authority's performance.

Good governance

- 35** Standing orders and the scheme of delegation clearly set out member and officer roles and responsibilities. These are regularly reviewed and kept up to date. There are constructive working relationships between members, the senior management team and staff. Co-opted members have been used to provide additional capacity and specific expertise, in addition there is a well resourced and well attended training programme for members, to ensure that they are fully aware of the fire and rescue sector context, and can fulfil their specific roles at the authority. Codes of conduct are in place for both members and staff.
- 36** The Authority has a vision of what it wants to achieve for its local communities, which is set out in its IRMP and strategic community safety plan. This is founded on combining consultation with the public and major stakeholders with an objective assessment of local needs based on incident modelling. This vision is set out in the corporate strategy and IRMP, and translated into a series of more specific values, priorities and goals through district and station plans. The Authority has restructured so that district boundaries are co-terminous with local authority areas and each local authority has a single named contact point. As a result the Authority is now represented on each LSP and fully contributes to projects in the local community for example to avoid fly tipping and reduce litter, address fire risks in void properties, and reduce bonfires. The Authority also contributes to wider community outcomes, especially on youth work through the Phoenix project and Princes Trust initiatives.
- 37** There are a variety of ways for staff, contractors and members of the public to make complaints or voice concerns, clearly published on the website. These include a complaints policy, whistleblowers charter (Safecall) and interactive e-mail facility. An ethical governance audit undertaken in 2007 confirmed that a strong ethical culture is in place and information is regularly provided to staff to highlight the importance of maintaining high standards of conduct.
- 38** The Authority has identified its significant partnerships and ensures that each one has appropriate governance arrangements and objectives that focus on achieving better outcomes for local people. A partnership policy ensures that the Authority only participates in partnership activities which contribute to delivery of its own strategic or corporate objectives and that there is an annual review of the effectiveness of partnership working. Officers can demonstrate that partnerships are providing effective outcomes and delivering value for money, and that the Authority disinvests in partnerships which are not effective.

Risk management and internal control

- 39** Effective risk management has led to better outcomes for the Authority over a range of areas including:
- contingency arrangements to mitigate the risk of any potential disruption to services;
 - safeguarding policies for identified vulnerable groups; and
 - communications strategies and training for dealing with the media.

Use of resources judgements

- 40** Risk management is embedded into financial and service planning processes and there is a requirement to include a risk analysis in all reports requiring a key decision from members. Fire station and district plans include a risk assessment and major projects have their own risk registers. The Partnership policy requires a risk assessment to be undertaken for all proposed partnerships, and the Authority's corporate evaluation process also uses a risk based approach. The Corporate Risk Management Group meets regularly and includes both officers and members, acting as a focal point for risk management. All members of the group have received accredited training, as have all staff to Station Manager level (or equivalent).
- 41** Internal audit have a high profile and are supported by senior management. No significant probity issues have arisen for several years and the incidence of allegations is low. The Authority has an anti-fraud and corruption policy, issued to all new members of staff and made available on the intranet for reference. The policy is supported by codes of conduct and guidance on specific areas such as acceptable use of ICT. Antifraud arrangements are well publicised and included in staff induction training and correspondence with contractors. Posters at all fire stations highlight the policies in place and advise staff on how best to voice their concerns. Management's responsibilities in this respect are stressed at seminars and team meetings.
- 42** Counter fraud training is an integral part of members' annual training programme. In addition, the Monitoring Officer provides members with Code of Conduct training and monitors members' interests, gifts and hospitality returns
- 43** Business Continuity Plans are in place for all locations and departments, supported by a corporate policy and guidance notes. These are shared with partners and comply with Civil Contingencies Act 2004 requirements. Each plan is subject to annual review and arrangements for the business continuity of the Response Support department, severe weather conditions and control room were tested in 2008/09. In addition, the Authority successfully implemented emergency plans for dealing with flooding and electrical supply interruptions during the year. Invitation-to-tender documents are used to collect information in relation to contractor's business continuity plans, with tenderers requested to provide details of turnover and financial standing, current contracts and reference sites so that officers can assess the risk of failure to provide continuous delivery.
- 44** Compilation of the annual governance statement is supported by a comprehensive governance review, which is reported to members. Neither external nor internal audit work has identified significant control weaknesses in recent years. The Governance Committee undertakes the functions of an audit committee, members are knowledgeable and proactive and challenge officers in an appropriate way. Action is taken in response to any areas of concern, and reported back to future meetings.

Managing resources

Table 5 Managing resources - KLOE scores

KLOE	Score	Overall theme score
3.3 Workforce management	3	Level 3

Workforce management

45 Organisational change is well managed, and has included the following:

- implementing flexible shift systems, revised crewing and ridership arrangements, and relocating HQ, training and fire station establishments; and
- updating basic training to re-focus on prevention, with over 29,000 home fire risk assessments now carried out each year, targeted at vulnerable groups and leading to a 63% reduction in accidental dwelling fires since 2007.

46 The regional control centre project is another example of planned change that has been carefully managed with clear communication with staff as part of the TUPE process, and there has been a significant uptake in a voluntary leadership course. Significant efficiency savings have been achieved through changes to the workforce, by reducing crewing levels, reducing the number of stations and sending fewer appliances to low risk incidents. Staff costs have fallen by 6% in real terms over the past 5 years (£3.3m) and by £1m in 2008/9.

47 Workshops are used to examine current and future challenges, reinforce corporate messages and to empower middle managers. This is backed up by leadership training and training in generic skills such as risk and project management. Training is evaluated through a range of consultative processes, this has led to more emphasis on negotiation skills, dealing with the media and team development. Regular listening events by senior management and 'Team Talks' have been established. Staff satisfaction is high - the percentage of staff who feel they are valued as employees has increased from 21% to 45% in the past 2 years, and the percentage of staff satisfied with their current job has improved from 54% to 65% in the same period. The staff retention rate is currently 90.6%.

48 Workforce planning is integrated into strategic planning process A detailed workforce plan uses a database to forecast how many staff are needed, at which grade and at which location, over the next 5 years and this is used to inform the IRMP, medium term financial plan and annual budgets. A comprehensive workforce development plan, which sets out the skills and competencies staff will need, and a Positive Action Plan focuses on equality and diversity issues. Both contain detailed action points and are regularly updated.

Use of resources judgements

- 49** All staff have personal development plans (PDPs) based on an analysis of their individual training needs, and these drive a programme of recorded competency training for regular operational requirements and for specialisms such as fast water rescue and mass contamination. A new incident command suite has been built to allow practice of major incident management. The PDP process is applied to all staff at least annually.
- 50** There are effective processes in place to manage sickness absence and to prevent accidents at work. Sickness rates have improved significantly in the last two years, falling from upper quartile to lower quartile levels for both firefighters and the workforce as a whole. £0.4m efficiency savings were achieved in 2008/9 as a result of this improvement. Accidents have reduced, by 43% over the past 5 years and the Authority has won a ROSPA gold award 5 years in succession. There is significant investment in the wellbeing of its employees, with flexible working arrangements and a range of initiatives and services to promote a healthy workforce. As well health and safety training linked to specific incidents and job specifications, the Authority has a health surveillance programme, aimed at detecting early signs of ill health and sickness absence, and a Health Promotion Initiative which has focussed on smoking, stress management, alcohol abuse and self examination to detect early signs of breast and prostate cancer.
- 51** There is a strong commitment to equality and diversity. The Authority reached level 3 of the Equality Standard in 2008 and is on target to achieve level 4 by the end of 2008/9. The Authority has delivered a programme of positive action to support diversity, with positive outcomes in terms of the 2008 recruitment process. For example, 4.7% of operational firefighters are female, representing the best performance of any metropolitan authority, and the Authority also has the joint highest total level of female staff at 19%. The proportion of BME staff is lower, however, at 1.66% and officers recognise that this needs to improve. Members have approved 'stretch' targets of 18% women and 9% BME by 2013 (national targets are for the workforce to consist of 15% women and 12% BME). The Authority monitors composition of the workforce by disability (currently 2.5%), religion, age and sexuality (0.7% declared LGBT) and has set targets for further diversification.

Use of resources 2009/10

52 The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. In my letter of 30 April 2009 about the audit fee for 2009/10, I outlined that there were no significant risks I was aware of in relation to my value for money conclusion, other than those set out below.

Table 6 Use of resources 2009/10

Risk	Planned work	Timing of work
Regional Control Centre – new governance arrangements, legality risks and financial implications.	We will continue to undertake a joint review across the 3 north east FRAS audited by us, to track the Authority's progress in managing the associated risks, and comment as appropriate.	April 2009 – March 2010
Sustainability and energy management – we will be required to form a judgement in this area for the first time in 2009/10.	We will undertake a review in advance of making formal judgements.	December 2009 - February 2010

53 This is still the case, and the 2 specific areas highlighted above will form the focus of our local risk based work next year. As part of my separate report to those charged with governance, I have also considered whether there are any additional risks arising from my 2008/09 value for money conclusion and have reported that there are none.

The Audit Commission

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