

# Tyne & Wear Fire and Rescue Authority

## Value for money risk assessment

February 2016



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# 01

## Executive Summary

Auditor Guidance Note 03 issued by the National Audit Office (NAO), sets out the requirements for value for money (VFM) work in 2015/16. In respect of local government bodies, it states:

"Section 20(1) of the Act requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied ... (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'."

Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion:

- Overall criterion: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

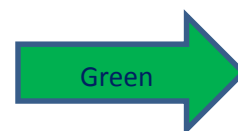
To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements but these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-criteria:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

We used the NAO's guidance to carry out an initial risk assessment using a red / amber / green (RAG) rating with the following definitions.

No risks to our VFM conclusion identified to date and no further work planned.



Not considered to be an audit risk at this stage, however, risk indicators to be followed up as further information becomes available.



Significant audit risk identified. This denotes risk to us as auditors. It is not an assessment or rating of the Authority's arrangements.






The guidance also gives examples of issues or developments which an auditor may consider as significant engagement risks:

- organisational change or transformation;
- significant funding gaps in financial planning;
- legislative or policy changes;
- repeated financial difficulties, or persistently poor performance; and
- other sources.

### Overall assessment

The overall financial environment in which the Authority is operating represents a significant risk to our value for money conclusion.

Sustainable resource deployment is categorised as red and therefore we consider that there is a significant risk impacting our VFM Conclusion. This audit risk is directly linked to the ongoing austerity programme and the need to reduce costs and transform services to address the funding gap in the medium term financial plan. Informed decision making and working with partners are rated green, as we have not identified any significant concerns in these areas of the Authority’s work to date. More details on each sub criteria can be found in the tables in section 2 of this report.

Proper arrangements	
Informed decision making	 <b>Green</b>
Sustainable resource deployment	 <b>Red</b>
Working with partners and other third parties	 <b>Green</b>

We have identified a number of areas where further work is required to provide sufficient assurance to inform our VFM conclusion, and address the significant risk that has been identified:

- review of the 2015/16 financial outturn to gain audit assurance about the robustness of the savings planning processes and assess the latest financial standing of the Authority;
- review of the 2015/16 performance outturn to assess the impact of financial constraints on overall performance;
- analysis of benchmarking data in VFM Profiles to assess the Authority’s comparative position on key measures; and

- review the plans that are being put in place to address the funding gap for future years.

We will also continue to monitor the Authority's arrangements through:

- ongoing meetings with key officers; and
- ongoing review of relevant meeting agenda papers and minutes where decisions relevant to our responsibilities are taken.

Our audit risk assessment is dynamic and can change as the audit progresses and new information is considered.



# 02



## Proper arrangements

The NAO guidance defines proper arrangements based on existing sector requirements to have arrangements in place to ensure proper governance, resource and risk management, and internal controls, and to report on the design and operation of those arrangements through Annual Governance Statements. For Fire Authorities, this is the CIPFA/SOLACE framework for local government.




Drawing on the relevant requirements applicable to local bodies, proper arrangements cover the areas detailed in the tables in this section of the report.

### Informed decision making




Proper arrangements	RAG Rating	Arrangements at Tyne & Wear Fire and Rescue Authority
Acting in the public interest, through demonstrating and applying the principles and values of sound governance.	 <b>Green</b>	<ul style="list-style-type: none"> <li>• Constitution in place setting out the standing orders, financial regulations, scheme of delegation and codes of conduct governing the operation of the Authority.</li> <li>• Use of the Integrated Risk Management Plan (IRMP) process to make changes to the service, balancing available resources with community risk.</li> <li>• The Authority has adopted a Local Code of Corporate Governance, and reports annually on the operation of its governance arrangements through the Annual Governance Statement included in its financial statements.</li> </ul>
Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	 <b>Green</b>	<ul style="list-style-type: none"> <li>• Authority decisions based on professional reports setting out options and supported by relevant considerations and evidence.</li> <li>• Medium term financial planning considers the challenges faced by the Authority, particularly in the face of public sector austerity in recent years.</li> <li>• Difficult decisions impacting on services have been taken to balance budgets, and implementation of measures is monitored.</li> <li>• Robust budget setting and monitoring processes, including regular monitoring of financial and operational performance.</li> <li>• No data quality issues in respect of financial and performance information that we are aware of.</li> </ul>

Proper arrangements	RAG Rating	Arrangements at Tyne & Wear Fire and Rescue Authority
Reliable and timely financial reporting that supports the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> <li>• Regular and timely reporting to Members.</li> <li>• Outturn reasonably close to projections in quarterly financial reports.</li> <li>• Track record of delivering planned savings and efficiencies in prior years.</li> </ul>
Managing risks effectively and maintaining a sound system of internal control.	 Green	<ul style="list-style-type: none"> <li>• Risk register and risk management arrangements in place, with reporting to Members.</li> <li>• Annual Governance Statement prepared, reviewed and approved by Members.</li> <li>• Regular reporting by Internal Audit on the operation of the system of internal control.</li> </ul>

## Sustainable resource deployment

Proper arrangements	RAG Rating	Arrangements at Tyne & Wear Fire and Rescue Authority
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	 Red	<ul style="list-style-type: none"> <li>• The Authority has argued, along with other metropolitan authorities, that they have faced disproportionate reductions in central government funding.</li> <li>• Despite this, financial and performance reports demonstrate a history of achieving difficult cost reductions, whilst minimising the impact on services and operational performance.</li> <li>• Becoming more difficult to maintain this balance, with continuing year on year reductions in available resources.</li> <li>• Future savings have been identified, but there remains a funding gap in 2016/17, 2017/18 and 2018/19.</li> <li>• A separate charity and trading companies established to explore the potential for trading and income generation.</li> <li>• Management and organisational reviews to report soon on further potential savings.</li> </ul>
Managing and utilising assets effectively to support the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> <li>• Asset register and asset management plans in place.</li> <li>• Capital programme includes planned developments on the estate.</li> </ul>
Planning, organising and developing the workforce effectively to deliver strategic priorities.	 Amber	<ul style="list-style-type: none"> <li>• Workforce planning to address funding constraints.</li> <li>• Downsizing of the workforce, in a phased and planned way, has delivered significant budget savings.</li> </ul>

## Working with partners and other third parties

Proper arrangements	RAG Rating	Arrangements at Tyne & Wear Fire and Rescue Authority
Working with third parties effectively to deliver strategic priorities.	 <b>Green</b>	<ul style="list-style-type: none"> <li>• Partnership working well established.</li> <li>• Examples of partnership working in place to reduce costs and improve service delivery.</li> <li>• Some co-location of services with Northumbria Police and collaboration to improve the Authority’s community safety centre, Safetyworks!</li> <li>• Collaboration with North East Ambulance Service, including an Emergency First Responder trial.</li> </ul>
Commissioning services effectively to support the delivery of strategic priorities.	 <b>Green</b>	<ul style="list-style-type: none"> <li>• Shared service agreement with Sunderland City Council for delivery of support services.</li> <li>• Most services directly provided.</li> </ul>
Procuring supplies and services effectively to support the delivery of strategic priorities.	 <b>Green</b>	<ul style="list-style-type: none"> <li>• Procurement policies in place.</li> <li>• Use established national and regional procurement frameworks to maximise purchasing power.</li> <li>• Sought to drive increased value across all budget headings including supplies and services.</li> </ul>