

Central Scotland Joint Fire & Rescue Board

Annual report on the 2010/11 audit



Prepared for Members and the Controller of Audit
October 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2010/11

We have given an unqualified opinion on the financial statements of Central Scotland Fire & Rescue Joint Board for 2010/11.

The general fund recorded a net surplus for 2010/11 of £0.480 million, increasing the balance to £1.350 million as at 31 March 2011. This balance is being retained to assist the board in dealing with the current economic challenges and is within the board's target level identified in the board's reserve strategy. The amounts carried forward by the board were also within overall carry forward limits set by Scottish Ministers.

Capital expenditure for 2010/11 was £1.005 million which was broadly in line with the budget.

The 2010/11 financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) instead of the previous practice of preparing financial statements under UK Generally Accepted Accounting Practice (GAAP). The achievement of full transition to IFRS-based financial statements required a significant input of resources by the board and officers have responded well to this challenge.

Overall the board's governance arrangements in 2010/11 were soundly based and operated effectively. No material weaknesses in the accounting and internal control systems were identified during the audit, which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

The board has continued to make progress in developing its arrangements in a number of areas:

- Performance management: the adoption of a performance management framework (however, there is still much to do to embed performance management within the Service).
- Procurement: the board has approved a Corporate Procurement Strategy and has established a Corporate Procurement Unit to undertake its procurement activity.
- Workforce Management: the board has fully introduced a staff performance development system.

The board has postponed a review of the effectiveness of the Best Value and Scrutiny Committee pending the forthcoming local elections and Fire Service Reform.

A Best Value audit was undertaken by Audit Scotland on behalf of the Accounts Commission in the Spring of 2011. Findings from this review will be reported early in 2012 as part of an overarching national report on the audits undertaken at all Fire and Rescue authorities.

The board has yet to decide on a self-evaluation mechanism to be taken forward to allow it to assess how well it coordinates all of its improvement activity and to implement actions necessary to improve effectiveness and efficiency.

Outlook

The economic conditions which prevailed at the end of last year remain and the outlook for public spending for the period 2012/13 to 2014/15 remains very challenging. The high level figures for Scotland that were announced in the UK Comprehensive Spending Review indicate that significant budget reductions will be required in the coming years. The board will not be immune from the impact of the current financial constraints on the public sector or from the difficult trading environment. At the Board meeting in November 2010, the Chief Fire Officer outlined the work that had taken place within the Service in preparation for the financial challenges ahead. In terms of scenario planning, the impact across the Service of savings of around 4 or 5% per annum over the next four year period has been considered (subject to fire service reform). The options for savings outlined in this report will need to be closely monitored to ensure that savings targets are met and exposure to risk is minimised.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Central Scotland Joint Fire & Rescue Board. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into four sections: financial statements, financial position, governance and accountability and best value, performance and improvement.
2. Appendix A lists the reports which have been issued in the course of the year, including a report on our review of the internal controls in place for the main financial systems which concluded that, overall, the high level financial system controls were operating satisfactorily, but also identified areas where there was scope for improvement.
3. This annual report on the 2010/11 audit focuses on the financial statements and any significant findings from our wider review of the board.
4. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the board understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
5. This report is addressed to the members and the Controller of Audit and should form a key part of discussions with the Board as soon as possible after the formal completion of the audit of the financial statements. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
6. After consideration by the Board, this report will be published on our website.
7. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all the weaknesses and risks that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

8. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
9. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
10. Auditors review and report on, as appropriate, other information published with the financial statements, including the explanatory foreword, annual governance statement and the remuneration report. This section summarises the results of our audit on the financial statements.

Audit opinion

Opinion on the financial statements

11. We have given an unqualified opinion that the financial statements of Central Scotland Joint Fire & Rescue Board for 2010/11 give a true and fair view of the state of the affairs of the board as at 31 March 2011 and of the income and expenditure of the board for the year then ended.

Legality

12. Through our planned audit work we consider the legality of the board's financial transactions. In addition the Treasurer has confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the board's management team, the financial transactions of the board were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

Going concern

13. The board's balance sheet has an excess of liabilities over assets of £106.926 million due to the accrual of pension liabilities in accordance with accounting standards. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on financial statements. One of the indications that may give rise to going concern considerations is an excess of liabilities over assets.
14. The board has considered it appropriate to adopt a going concern basis for the preparation of the financial statements as the ongoing pension liabilities will be met from Scottish

Government funding and contributions from constituent authorities of the board. We are satisfied that the process the board has undertaken to consider going concern is reasonable.

Annual Governance Statement

15. CIPFA's Delivering good governance in local government recommends that the review of the effectiveness of the system of governance, including internal control, should be reported in an Annual Governance Statement. The board's financial statements for 2010/11 have included an Annual Governance Statement which sets out the findings from the board's review of the effectiveness of its governance arrangements.
16. We are satisfied with the disclosures made in the Annual Governance Statement and are also satisfied with the adequacy of the process put in place by the board to obtain the necessary assurances for the Statement.

Remuneration Report

17. The Local Authority Accounts (Scotland) Act 1985 and Scottish Governance finance circular 8/2011 introduced the requirement for a remuneration report to be included in the financial statements from 2010/11. This was a significant change to the level of disclosure required. We are satisfied that the remuneration report has been prepared in accordance with the relevant legislation. The disclosures within the 2010/11 financial statements include all eligible remuneration for the relevant officers and elected members under a number of categories including pension benefits.

Accounting issues

18. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 201/11 ('the 2010/11 Code'). Overall, we are satisfied that the board prepared the 2010/11 financial statements in accordance with the 2010/11 Code.

Accounts submission

19. The board's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. A working papers package was also available by this date. This enabled us to conclude the audit and certify the financial statements by the target date of 30 September 2011. The financial statements are now available for presentation to members and publication.

Presentational and monetary adjustments to the unaudited financial statements

20. A number of adjustments have been made to the 2010/11 unaudited financial statements in accordance with normal audit practice. These adjustments have not had any impact on the general fund balance of the board. A number of presentational amendments have also been processed to improve the disclosures within the financial statements. As is normal practice, immaterial unadjusted errors have been reported to the Treasurer.

Prior year adjustments

21. The 2010/11 financial statements have been prepared in accordance with the 2010/11 Code which is based on International Financial Reporting Standards (IFRS) instead of the previous practice of preparing financial statements under UK Generally Accepted Accounting Practice (GAAP). This transition required a prior year adjustment to the 2009/10 audited financial statements and the restatement of the 1 April 2009 opening balance sheet position. The main areas that required restatement include the treatment of capital grants and the inclusion of an accrual for employee benefits such as annual leave. These changes resulted in the net liabilities position of the board as at 31 March 2010 changing from £123.190 million to £127.412 million, however the accounting nature of these adjustments means that there has been no change to the usable reserves of the board.
22. The achievement of full transition to IFRS-based financial statements required a significant input of resources by the board and officers have responded well to this challenge.
23. Further to the IFRS adjustments above, a revision in the accounting policy in relation to the calculation of the injury benefit liability resulted in a significant movement in those liabilities in prior years. The revision in the calculation is to include an estimate of active members who may be paid benefit in the future. We have reviewed the board's arrangements for restating the prior year balances and found them to be satisfactory.

Pension costs

24. Central Scotland Fire & Rescue Joint Board participates in three pension schemes:
 - Falkirk Council Pension Fund
 - Firefighters' Pension Scheme
 - Firefighters' Pension Scheme (New)
25. The Falkirk Council Pension Fund is a multi-employer defined benefit scheme and in accordance with pensions accounting standard IAS19 'Retirement Benefits', the board has recognised its share of the net liabilities for the pension fund in the balance sheet. The valuation at 31 March 2011 provided by the scheme's actuaries reduced the board's share of the deficit from £3.875 million last year to £1.992 million this year.
26. The Firefighters' pension schemes are unfunded and have no assets to be valued. The board's estimated Firefighters' pension schemes liabilities as at 31 March 2011 were £121.000 million (£140.700 million as at 31 March 2010). As the schemes are unfunded, the pension liabilities will fall to be met by serving officers' contributions and by taxpayers in the future (through Scottish Government Funding).
27. The large decreases are primarily due to a change in one of the financial assumptions, with future pensions' increases now linked to the consumer prices index (CPI) rather than the retail prices index (RPI). This is reflected as non-recurring income of £16.562 million in the Comprehensive Income and Expenditure Statement but local government accounting rules mean that this is reversed in the Movement in Reserves Statement.

Whole of Government Accounts

28. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The board submitted the consolidated pack to support its 2010/11 WGA return to the Scottish Government prior to the deadline of 29 July. This has now been audited and the audited return submitted by the target date of 30 September.

Outlook

Pension costs

29. The effect on the asset values of the pension fund and the future outlook for employers' contributions was assessed at the triennial valuation of the Falkirk Council Pension Fund as at 1 April 2011. The board will need to take the findings of this valuation into account in the decision to set future employers' contribution rates.
30. Further changes are likely to result as the Government considers the findings of the Hutton Report which sets out a number of options for the reform of public sector pension schemes. If adopted many of the findings are likely to have a significant impact on the Local Government Pension Scheme.

Audit appointment for 2011/12

31. Audit appointments are made by the Accounts Commission, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment and we would like to thank officers and members for their assistance during the last five years. The procurement process for the next five years was completed in May 2011. From next year (2011/12) Audit Scotland will again be the appointed auditor for Central Scotland Fire & Rescue Joint Board but a different audit team will be in place, led by Alasdair Craik of Audit Scotland. Audit Scotland looks forward to continuing the good working relationships that exist.

Financial position

32. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
33. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
34. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

35. After adjustments for expenditure required by statute and non-statutory practice to be charged to the general fund the board's surplus for the year was £0.956 million. The board's budget for 2010/11 assumed that reserves of £0.2 million would be utilised in the year. However, net expenditure was £0.956 million below the planned level and therefore the budgeted transfer of £0.2 million was not required and a transfer of £0.756 million was in fact made to reserves.
36. The general reserve balance carried forward at the year end was £1.350 million and is to be retained to assist the board in dealing with the current economic challenges. The repairs and renewals fund was increased by £0.276 million and at 31 March 2011 the balance of this fund was £0.838 million.
37. In his Foreword, the Treasurer summarises the principal reasons for this favourable budget variance:
 - employee expenses being £0.755 million below budget due to vacancy management, the absence of a firefighters' pay award and a reduction in firefighters' overtime
 - property costs are £0.081 million below budget due to lower than anticipated electricity and gas charges
 - within supplies and services, the overspend of £0.072 million is primarily related to the additional maintenance of computer equipment
 - income has increased by £0.171 million due to pension transfer values and officers on secondment to both the Fire Training School and the Scottish Government.

Financial Position

38. The board holds a general fund which consists of both earmarked amounts set aside to support future years' expenditure and a contingency for unexpected events or emergencies. As at 31 March 2011, the general fund balance of £1.350 million was within the 3-5% level identified in the board's reserve strategy.
39. The amounts carried forward by the board were also within overall carry forward limits set by Scottish Ministers.

Capital performance

40. Capital expenditure in 2010/11 totalled £1.005 million, increasing from £0.986 million in 2009/10. Capital investment in 2010/11 was funded from government grants (£0.998 million) and capital receipts (£0.007 million). The 2010/11 capital spend represented an overspend of £0.065 million against the budgeted expenditure of £0.940 million contained in the capital programme. This overspend was wholly funded by additional grant received for the Carbonaceous Fire Training Unit.
41. The board's capital investment programme anticipates capital expenditure of £1.065 million in 2011/12 and £0.945 million in 2012/13.

Financial planning to support priority setting and cost reductions

42. The financial challenges facing the Scottish public sector are well documented, with public bodies facing deep and prolonged cuts in funding. The outlook for public expenditure remains tight and the board faces significant challenges in ensuring that planned activity remains affordable and sustainable within available resources. At the meeting of the Best Value and Scrutiny Committee on 5 November 2010 the Chief Fire Officer presented a report which provided some detail on the areas where financial savings may be achieved during the next four years spending review.
43. In terms of scenario planning the report looked at the impact across the Service on savings of around 4 or 5% per annum for the next four year period (although, with the prospect of Fire Service reform from 2013, the timeframe may only be two years). In considering these savings prime consideration has been given to ensure that front line service delivery is maintained.
44. In recognition of the considerable financial challenges which lie ahead and to assist in meeting those challenges, the board, through its Corporate Options Team, has subsequently reviewed its budget with a view to identifying potential strategic budget options for savings and efficiencies. Proposals are included in a report which is to be presented to Members.

Use of resources

Asset Management

45. The pressure to get the best out of the board's asset base and the money that is invested in it is greater than ever in the current financial circumstances. Effective management of assets is

essential to help the board achieve its objectives and priorities, while getting best value from its reducing resources.

46. The board had confirmed its intention to use the Maximo asset management software, currently used by Tayside Fire and Rescue Service. However, because of the Fire Service reform and the establishment of a single fire service in 2013, it is now anticipated that no final decision regarding an asset management software system will be taken in the immediate future.
47. The Service is, however, in the process of recording details of all operational equipment to enable a future asset management system to be fully populated with the relevant asset information.
48. We have previously raised concerns regarding the operational use of two combined aerial rescue pump (CARP) appliances purchased by the board in 2005/06 at a cost of over £0.8 million. Since the outset, the board has encountered a number of difficulties in bringing these appliances to full operational capability.
49. The board is still in possession of these appliances and although an offer to purchase one of these appliances was received from Slovenia and was accepted, difficulties were encountered in raising the finance to pay for it and the offer was withdrawn.
50. The two appliances remain for sale on the Service's website. But we understand that various other options are being considered including transferring one of the appliances to Dumfries and Galloway Fire and Rescue Service as this Service has expressed an interest in obtaining another CARP for their area.

Procurement

51. Improved procurement practices are an important source of savings. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement and to deliver value for money and increased efficiency through improved structures, capability and processes.
52. Robust procurement policy and procedures ensure that best value is gained in all purchasing carried out by or on behalf of a Service. The board recognises that effective procurement arrangements are fundamental to the delivery of effective and efficient service provision and has approved the establishment of a Corporate Procurement Unit to undertake the procurement of all commodities for the Service.
53. At its meeting on 21 January 2011 the Best Value and Scrutiny Committee approved the Corporate Procurement Strategy which sets out the procurement vision and strategic aims which will direct and govern the Service's procurement activities from 2011.

Workforce management

54. Progress is being made in workforce planning and the board has recognised the need for an effective performance development system and has now developed a full career and contribution management framework.
55. Annual appraisal meetings are held for all personnel and their respective line managers and a development plan for each employee, based on five relevant objectives aligned to the overall service objectives, has been agreed with line managers.

Outlook

56. The economic conditions which prevailed at the end of last year remain. Nationally there is still considerable concern over the health of the economy and growth remains slow. The board will not be immune from the financial pressures arising from the impact of Government spending cuts on the budgets of constituent councils and other public sector customers.
57. The board has considered its strategic budget options identifying 4 to 5% savings per annum over a four year period (subject to fire service reform). It is anticipated that future funding settlements will prove challenging for the board.

Refer Action Plan No. 1

58. The Government's recently completed Programme for Government review has confirmed that there will be a single Scottish Fire Service in future, probably in 2013. Whilst there is no immediate impact which materially affects the current financial position of the board, the longer term outcomes of the reform agenda will, potentially, have significant implications.

Governance and accountability

59. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
60. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
61. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
- corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
62. In this part of the report we comment on key areas of governance and accountability.

Corporate governance

Scrutiny

63. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account on service delivery and support the reform and modernisation agenda.
64. The board undertook a review of the remit of the Best Value and Scrutiny Committee in June 2010 to clarify and extend its role. In particular, the remit of the Best Value & Scrutiny Committee was clarified to confirm that it had a scrutiny role with respect to best value, promotion of internal control, performance management and audit and financial management and scrutiny of the arrangements for risk management.
65. We were previously advised that an assessment of the effectiveness of the Best Value and Scrutiny Committee was to be undertaken in the summer of 2011, once a full year of its revised operations had taken place. However we have now been advised that the Best Value and Scrutiny Committee considered the issue of an assessment of its effectiveness at its May 2011 meeting and decided that, given the forthcoming local government elections and the wider issues and developments around Fire Service reform, the timing of such a review will require to be re-considered at an appropriate future date.

Refer Action Plan No. 2

Roles and relationships

66. The Accounts Commission recommends that priority is given to the continuous professional development of members. In a report to the board in June 2010, officers recommended that a further training needs analysis (TNA) be undertaken to assist in the identification of further training needs.
67. We are pleased to note that a joint TNA session of members of the Central Scotland Joint Fire and Rescue Board, the Central Scotland Joint Police Board and the Central Scotland Joint Valuation Board was undertaken in March 2011. Following this evaluation, a successful training event for members of the Central Scotland Fire and Rescue Board was held in August 2011 examining budget planning, resource management and the involvement of members.
68. We understand that further training events are being considered for the future.

Internal control

69. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.
70. In his Internal Audit Annual Report 2010/11, the Internal Audit Manager confirmed that, based on the audit work carried out, limited assurance can be placed upon the internal controls in operation throughout the board. This contrasts with his 2009/10 Internal Audit Annual Report in which the Internal Audit Manager reported that substantial assurance could be placed upon the internal controls in operation within the board. In 2010/11, the review of Invoice Authorisation and Payment Arrangements could only provide limited assurance and identified that there was scope for improving the existing framework of control. Further work in this area carried out as part of our external audit review revealed no significant weaknesses or errors which could adversely impact on the financial statements, as noted at paragraph 69 above.
71. Our review revealed that Internal Audit met the requirements of the CIPFA Code of Practice for Internal Audit in Local Government and that we were able to place reliance on them to support our audit work.

Prevention and detection of fraud and irregularities

72. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
73. The board has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. The board has an approved Anti-Fraud Policy and Fraud Response Plan which contribute to sound arrangements to prevent and detect fraud and corruption.

NFI in Scotland

74. As part of our local audit work we monitor the board's approach to the NFI, a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.
75. We found that the Treasurer had taken appropriate steps to manage the process. Although no cases of fraud have been uncovered and no savings have as yet been generated, assurance may be taken about the internal arrangements to assist in the prevention and detection of fraud.
76. The Audit Scotland report *The National Fraud Initiative in Scotland; making an impact* (May 2010) highlighted that much of the information used in the last NFI round was collected before the recession really took hold. An economic downturn is commonly linked to a heightened risk of fraud, and public bodies need to remain vigilant.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

77. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the board's arrangements are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Best Value, performance and improvement

78. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value.
79. This section includes a commentary on the Best value/ performance management arrangements within the board. We also note any headline performance outcomes and measures used by the board.

Management arrangements

Vision and strategic direction

80. The board has a service development plan which sets out its long term vision and its five strategic priorities :
- Delivering safer and stronger communities
 - Influencing community behaviour
 - Reducing the impact on the environment
 - Providing value for money for communities
 - Acting as a good employer
81. Effective strategic planning requires a clear link between corporate planning, service planning and financial planning. We have previously identified scope for improving the board's arrangements to provide robust evidence of clear linkages in the processes. We have been advised that the board is developing a different style of Service Development Plan which will identify not only the strategic priorities of the board but also the measures for achievement of those objectives.

Best Value

82. The requirement to extend the audit of best value to Fire and Rescue Services and their governing bodies is well accepted. In late 2010, the Accounts Commission, following a full consultation process, decided to implement the option of carrying out audits at each of the eight Scottish fire and rescue services and authorities, commencing in the Spring of 2011. A national overview report will be published in May 2012, following the publication of local best value audit reports for all eight fire and rescue services. The local report for Central Scotland Fire & Rescue Joint Board will be provided in December 2011.

Self Evaluation

83. To help achieve best value it is essential that the board undertakes a critical review of its overall improvement activity. Self-evaluation is an important tool in managing future performance. The board needs to consider how well it coordinates all of its improvement activity and reviews to ensure that it systematically identifies key areas for improvement and ensures that it implements the actions necessary to improve effectiveness and efficiency. Although we first reported this issue in our 2008/09 annual report on the audit, the board has yet to decide the self-evaluation mechanism to be taken forward.

Refer Action Plan No. 3

Risk Management

84. The board is committed to its long term objective to enhance the risk management culture and awareness within the Service and embed the principles of risk management in its strategic planning process. A report was presented to the Best Value and Scrutiny Committee in March 2011 advising of the measures that have been implemented as part of the review of risk management.
85. The Service's Corporate Risk Register (CRR) incorporates all identified strategic risks which have the potential to impact upon the Service's ability to carry out its functions and therefore meet its statutory obligations and strategic objectives. The CRR has been fully reviewed with all the strategic risks individually assessed against the likelihood of their occurrence and the potential impact on the Service should they occur. The CRR is also continually monitored by the Risk Management Department and is reviewed formally on an annual basis.
86. The Risk Management department has also developed a more central role in the coordination of any actions required within the Service and to ensure that Service managers receive suitable guidance and support, Risk Management staff are continuing to receive professional development commensurate with their roles.
87. A future key measure will be the relocation of all Risk Management department staff to a single location within Service Headquarters. The bringing together of Risk Management, Integrated Risk Management Planning, Emergency Planning and Health and Safety personnel will centralise the Service's process to manage all risks and provide a single point of contact in relation to emerging risks.
88. We are pleased to note the progress being made in the embedding of risk management processes within the Service and will continue to monitor progress in the further development of the risk management framework.

Partnership working

89. The board is a partner in the Clackmannanshire, Falkirk and Stirling Community Planning Partnerships and together with its community planning partners has a strong commitment for working together for the benefit of the local area.

90. Strategic Community Plans are in place for all three areas which set out the key partnership priorities and are underpinned by 2009-2012 single outcome agreements which aim to provide improved outcomes for the communities.

Shared Services

91. Although in our 2009/10 Annual Report, we reported that the board had approved a Shared Services Framework involving Central, Tayside and Fife Fire and Rescue Services and that other examples of collaboration could be demonstrated, the imminent Fire service reform has meant that no further progress on shared services is now anticipated.

Performance management

92. The board currently reports a combination of statutory performance indicators and local performance indicators which are linked to the standards and targets set out in the three single outcome agreements produced by the Community Planning Partnerships in Clackmannan, Falkirk and Stirling. Our review revealed that the process of collating and reporting statutory performance indicators is satisfactory.
93. We have previously reported on the absence of an effective performance management framework. In 2010/11, the board began to make improvements, with the Best Value and Scrutiny Committee approving the adoption of a performance management framework for the Service. There is still much to do, however, to embed performance management within the Service.

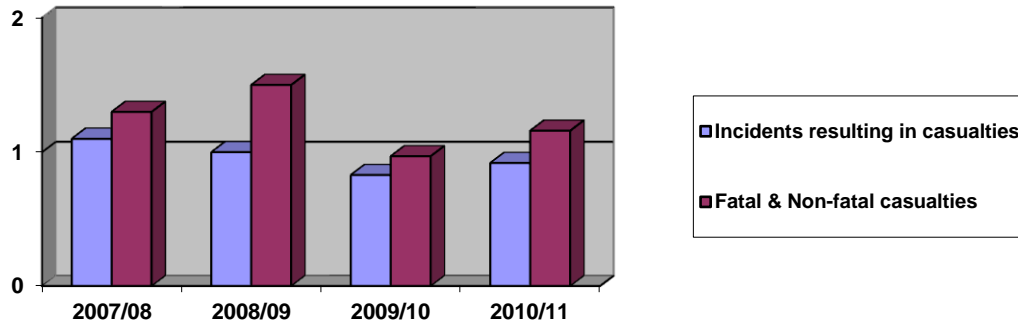
Refer Action Plan No. 4

94. The first quarterly Performance Management report was presented to the Best Value and Scrutiny Committee on 4 March 2011. The report advised members that the suite of information being provided is a first step towards producing a relevant span of performance statistics reflecting the work carried out by the Service. The Scottish Fire and Rescue Advisory Unit (SFRAU) are currently reviewing national performance statistics and are expected to publish a suite of national indicators in the next 6 months and the statistics being reported to the board will be updated to reflect the SFRAU recommendations.
95. Local authority bodies have a clear statutory duty to make arrangements for reporting to the public on the outcome of the performance of their functions (Local Government in Scotland Act 2003). The board currently reports performance to stakeholders through the performance statistics on its website, including an annual performance management report. A Chief Fire Officer's Quarterly Activity Report has also been introduced which provides members with updated information on various matters including Operational Activity, Incidents of Note, Community Fire Safety and Legislative Fire Safety.

Overview of Performance (Statutory Performance Indicators)

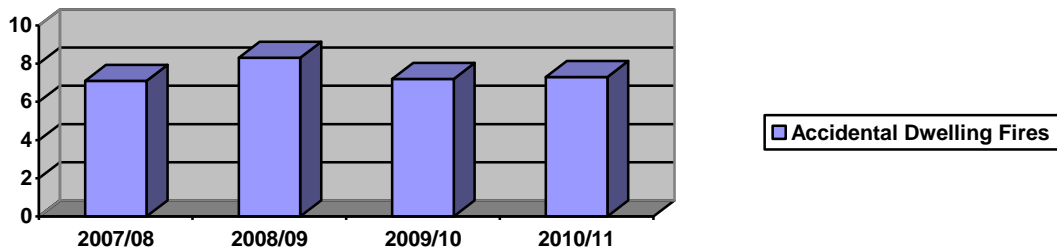
Fire Casualties

96. Performance in this area has very slightly deteriorated with increasing numbers for both incidents (from 0.83 per 10,000 population in 2009/10 to 0.92 in 2010/11) and casualties (from 0.97 per 10,000 of population in 2009/10 to 1.16 in 2010/11). However both indicators compare favourably to the 2009/2010 Scottish averages of 1.5 and 1.9 respectively (the latest available comparative year).



Accidental Dwelling Fires

97. Performance in this area has largely remained unchanged with a very slight increase from 7.2 per 10,000 of population in 2009/10 to 7.3 in 2010/11. This indicator also compares favourably to the 2009/10 Scottish average of 9.9.



Proportion of working time lost due to sickness

98. Sickness absence levels improved in 2010/11 in respect of rider shifts, with the average number of days lost due to sickness and light duties falling from 5.6 days to 4.8 days. For all other staff, the average number of days lost due to sickness has risen from 5.4 days to 6.9 days. However, both indicators compare favourably with the 2009/10 Scotland average performance of 8.7 days and 7.3 days respectively.

Refer Action Plan No. 5

Outlook

99. The board has made progress in a number of performance areas. However the current economic climate is likely to present a number of significant challenges to managing and

improving performance due to rising costs and public spending cuts which will impact directly on the ability to deliver improvements in service delivery. Workforce morale is likely to decline due to pay constraints, inflation and changes to the public sector pension scheme and proposed organisational changes. These challenges will increase the importance of robust monitoring and management of performance to ensure that the board can deliver more for less.

Appendix A: Audit Reports

External audit reports and audit opinion issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Best Value and Scrutiny Committee
Annual Audit Plan	February 2011	4 March 2011
Governance and Internal Control	July 2011	19 August 2011
Report on financial statements to those charged with governance	September 2011	N/A (to be presented to the Board)
Audit opinion on the 2010/11 financial statements	September 2011	N/A (to be presented to the Board)
Annual report to the members and the Controller of Audit	October 2011	N/A (to be presented to the Board)

Appendix B: Action Plan

Key Risks Areas and Planned Management Action

Action Point	Refer Para No	Financial Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	57	<p>Financial Uncertainty</p> <p>The outlook for future public expenditure remains tight, and the board faces significant challenges in ensuring that planned activity remains affordable and sustainable within available resources</p> <p><i>Risk: There is a risk that financial pressures may impact on the board's services.</i></p>	<p>The management have a 3/4 year plan for budgetary reductions. Options for reductions in various budget areas will be presented to the Fire Board for selection and approval. Furthermore due to financial prudence the Service has a general reserve that can be utilised if the Board deem it appropriate.</p>	Director of Service Support	On-going
2	65	<p>Scrutiny</p> <p>The board has postponed a review of the effectiveness of the Best Value & Scrutiny Committee given the forthcoming local government elections and the wider issues and developments around Fire Service reform.</p> <p><i>Risk: There is a risk of scrutiny not being fully effective in the intervening period.</i></p>	<p>The Convener and Members of the Committee are satisfied that they are undertaking an appropriate level of scrutiny.</p>	N/A	N/A
3	83	<p>Self - evaluation</p> <p>To help achieve best value it is essential that the board undertakes a critical review of its overall activity. Self-evaluation will be an</p>	<p>Difficulties remain in the allocation of funds and personnel to adopt the framework in the current year. It will be considered again</p>	Director of Service Support	Ongoing

Action Point	Refer Para No	Financial Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>important tool in managing future performance. The board has yet to decide the self-evaluation mechanism to be taken forward.</p> <p>Risk: The board may be unable to assess its improvement activity in a robust manner and may not be well placed to deliver best value.</p>	<p>during this year's planning process but with reducing numbers of personnel in the service and budgets being as difficult as they are, it may be that we seek alternative solutions. Furthermore it will have to be considered if bringing in a new system that may be redundant following the forthcoming fire reform would be prudent</p>		
4	93	<p>Performance Management</p> <p>Although the Service has made improvements with the introduction of a performance management framework, there is still much to do before performance management is embedded within the Service.</p> <p>Risk: management of service performance may not be effective.</p>	<p>The Senior Management have introduced a quarterly performance reporting procedure for the management team meetings. The areas that are to be monitored have been developed and the reporting processes put in place. The Service will report performance to the Best Value Committee on a quarterly basis.</p>	Director of Service Support	On-going
5	98	<p>Sickness Absence</p> <p>For all staff, excluding rider shifts, the average number of days lost due to sickness has risen from 5.4 days to 6.9 days.</p> <p>Risk: increased sickness absence could reduce the</p>	<p>The Service will monitor the absence of the support personnel. Due to the reduced numbers employed and some long term sickness the stats have increased therefore this area will</p>	Director of Service Support	On-going

Action Point	Refer Para No	Financial Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>overall performance of the service.</i>	be monitored in line with the attendance management policy.		