

Annual Audit and Inspection Letter

North Yorkshire Fire and Rescue Authority

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Authority, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

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- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Authority, drawing on the findings and conclusions from the audit and our review of how well the Authority has progressed (our Direction of Travel report), a service assessment and the auditor assessment of how well the Authority has managed its finances (the Use of Resources scores).
- 2 The report is addressed to the Authority, in particular it has been written for members of the Authority, but is available as a public document for stakeholders.
- 3 The main messages arising from this Letter are:
 - an unqualified opinion has been given on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate;
 - your arrangements for financial reporting, financial management and internal control are generally fit for purpose;
 - although your performance for many aspects of service delivery was good during 2005/06, there are some significant areas where your performance was either poor, had deteriorated or did not improve in line with national trends; and
 - the effectiveness of the Regional Management Board (RMB) and therefore the benefits of working with the Board are constrained by ineffective partnership arrangements and the lack of an agreed business plan or budget.

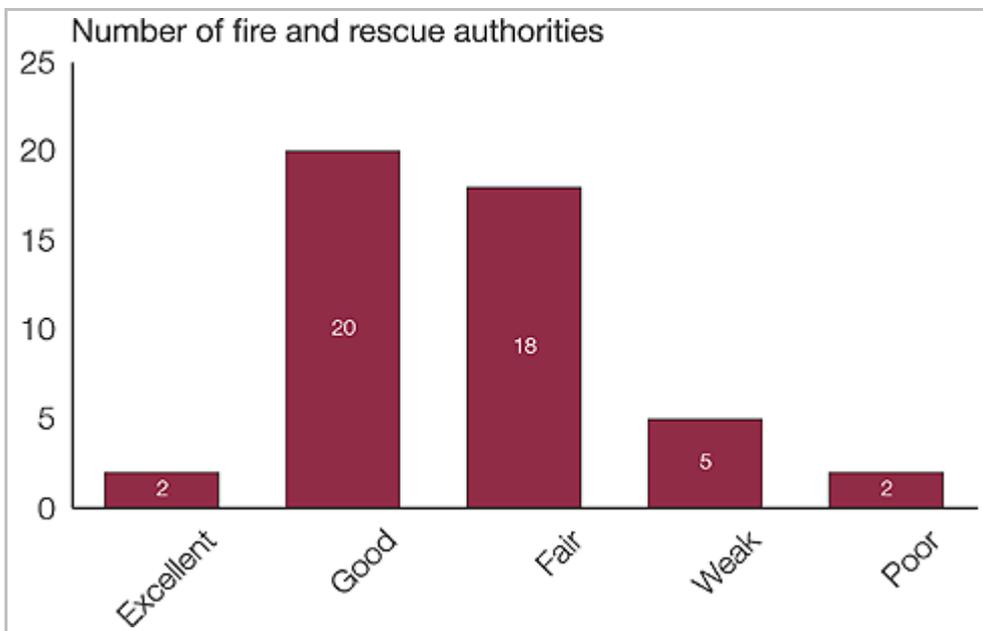
Action needed by the Authority

- 4 The geography and demographics of North Yorkshire will continue to influence your ability to improve performance against some nationally-prescribed indicators. However, you should continue to strengthen your arrangements for promoting continuous improvement, particularly for those indicators which directly support your *125 Alive* vision.
- 5 Whilst you actively participate in the RMB, you should – together with partner authorities - review the purpose, remit and objectives of the RMB and agree arrangements to strengthen partnership working, by developing a robust Business Plan and associated budget.

How is the Authority performing?

- 6 The Authority was assessed as Good in the Fire and Rescue Comprehensive Performance Assessment (CPA) carried out in 2005. The CPA reviewed corporate management, achievements, community fire safety and Integrated Risk Management Plans (IRMP). It did not consider tactical management of emergency response. The following chart shows the latest position across all authorities.

Figure 1 Overall performance of authorities in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

North Yorkshire Fire and Rescue Service is improving well

- 7 The FRA is improving well in those areas it has identified as priorities and those important to local communities. Overall, performance levels since 2003/04 have improved in 12 out of 16 key indicators; performance on eight deteriorated during 2005/06, four of which fell marginally below the level achieved in 2003/04. The Authority has prioritised prevention and community safety activities, increasing the installation of smoke detectors and home risk assessments by over 60 per cent. It effectively contributes towards wider community outcomes, enhancing its capacity to deliver through effective partnership working and support for the Regional Management Board. It has also improved the accessibility and quality of its services, particularly for hard-to-reach groups and those most at risk. It strives to improve value for money; the Authority's relative costs increased during 2005/06, but it exceeded its efficiency targets, saving £1.3 million. Its improvement planning arrangements are effective, although a few deadlines were not met. Overall, it has the capacity to deliver its future plans, although internal capacity and under-developed administration arrangements could act as a constraint on improving operational effectiveness.

The fire and rescue service is improving outcomes

- 8 You are improving well in those areas that you have identified as priorities and those important to local communities. Overall, 12 out of 16 key performance indicators have improved since your corporate assessment in March 2005 – mainly as a result of your performance during 2004/05. You were unable to sustain that level of improvement during 2005/06, but of the eight indicators that did not improve, only four deteriorated marginally below the performance level you achieved in 2003/04. More significantly, most of the indicators which most closely reflect your key priority - reducing the number of fire-related deaths in North Yorkshire – have improved.
- 9 During 2005/06, your performance on eight indicators - such as fulfilling your duty to promote race equality - was amongst the best in the country. However, your performance on five indicators was amongst the worst in the country and 11 out of a total of 32 were in the bottom half. During 2006 you have taken action to address these areas of under-performance. Your performance monitoring arrangements suggest that some areas where improvement was not sustained during 2005/06 – such as sickness absence – and some areas of poor performance, are now improving.
- 10 The Operational Assessment of Service Delivery (OASD) undertaken in October 2006, which assessed how well you are planning, organising and delivering your operational services, judged you as performing strongly. In particular, it identified:
 - a robust approach to risk analysis and risk management;

- a range of high quality road safety initiatives – particularly important in an area where deaths from road traffic accidents are significantly higher than those from fire; and
 - policy and procedural compatibility with partners, managed through a variety of established forums.
- 11 Your IRMP has been a catalyst for service improvement and improved outcomes. It demonstrates your commitment to reducing fire and road traffic related deaths and injuries by prioritising prevention and community safety. For example, you have accelerated the delivery of your fire prevention initiatives during 2005/06; you installed 5649 smoke detectors and completed 7176 home risk assessments – annual increases of over 60 per cent. You have enhanced your capacity to do this by reviewing staffing arrangements and day crew operations. Your approach to risk management – targeting those who are most at risk and acting on intelligence provided by partners – is also contributing towards service improvement.
- 12 You have contributed towards wider community outcomes through your involvement in CDRP's throughout the County and in the development of the LAA. In particular, you now provide a range of initiatives intended to engage some of the more disadvantaged, vulnerable and excluded young people. For example, the Junior Fire Fighter initiative you have developed in conjunction with partners is helping to tackle some of the wider social factors that impact on community fire safety such as crime and anti-social behaviour. Close collaboration with partners – such as the participation of your Group Managers in local CDRP's, which has strengthened your working relationship with local government - has enhanced your capacity to deliver your own priorities as well as the shared priorities.
- 13 You have improved the accessibility and the quality of the services you provide, particularly for some hard-to-reach groups. For example you have responded to the increase in residents originating from eastern Europe by collaborating with local employers to distribute Fire Safety Advice leaflets in Polish. You have also increased the numbers of smoke detectors fitted and home fire risk assessments carried out in the homes of those 'most at risk' groups. In addition, improvements to your call management and handling arrangements – such as the translation conferencing facility which helps staff to handle calls from non-English speaking callers and the system for handling calls from those who are hard of hearing - have increased its accessibility. This proactive approach to fire prevention supports your vision for reducing the number of fire-related deaths.
- 14 Your approach to delivering value for money is good. Historically, your service costs have been low, but your overall costs increased during 2004/05 and you are no longer one of the lowest-cost authorities. However, you have exceeded your Gershon targets and delivered £828,000 cashable savings during 2005/06. You have also strengthened your procurement arrangements - both internally and through regional and national collaboration - and ensured that your IRMP and budget planning process are aligned which has helped to improve your efficiency.

The FRA is progressing well in implementing improvement plans to sustain future improvement

- 15** You have produced a challenging vision, underpinned by clear objectives which target national and local priorities. Staff, managers and Members are clear about what you are trying to achieve and there is broad support for your vision and aims. You have a robust Improvement Plan which is aligned with your key strategies, and is adequately resourced. This is helping you to meet your regional and national targets and to improve the quality of the service you provide. Your Action Plan includes clear and measurable targets designed to support your key objectives. Your key plans are widely available to staff, which helps to promote awareness and ensure that they retain a high profile. However, although your improvement planning arrangements are generally effective, some deadlines – such as the review of shift systems for whole-time staff, which is more complex than you originally anticipated - have not been met.
- 16** Overall, you have the capacity to deliver your future plans. In addition to clear and realistic plans to promote improvement, you have introduced some bold changes to working practices in order to improve your effectiveness and efficiency – such as the introduction of community safety vehicles operated by trained staff who provide advice and support to isolated neighbourhoods. As with other smaller authorities you need to ensure your capacity and administrative arrangements are capable of providing the support necessary to improve operational effectiveness.
- 17** You are self-aware about your capacity issues and are using that awareness to promote improvement. For example, your senior managers are participating in leadership development programmes and you support individual management training packages. You are also supporting Member development, which is improving their awareness and understanding of the IRMP and you have recruited skilled professionals to strengthen your corporate capacity.
- 18** At the moment, your workforce does not reflect the diversity of North Yorkshire's communities. For example the percentage of staff from minority ethnic communities compared with the percentage of economically-active minority ethnic people from within North Yorkshire (BV17) has consistently been amongst the worst in the country and deteriorated further during 2005/06. However, you are now strengthening your approach to diversity and equality; you have achieved level 2 of the equality standard for local government and are working towards level 3. Your flexible working policy and career-break scheme was introduced to encourage greater diversity within your workforce and support capacity building from within and is producing some encouraging results. Whilst it is too early to judge the overall impact of these initiatives – such as increasing the ratio of female fire-fighters in line with the national average - a recent recruitment event did lead to a 71 per cent increase in applications from women.

- 19 Your success at improving sickness absence has not been maintained. Following significant improvement from worst quartile in 2002/03 to best quartile in 2004/05, your performance deteriorated to below average in 2005/06. Whilst you anticipate an improved performance for 2006/07, your capacity to deliver will continue to suffer until the levels improve significantly and are then sustained.
- 20 Close collaboration with partners – such as the participation of your Area Managers in local CDRP's to strengthen your working relationship with local government - has enhanced your capacity to deliver your own priorities as well as the shared priorities. You were also a significant partner in the collaboration and production of the Community Risk Register, have worked closely with adjoining FRA's to develop arrangements for providing mutual assistance and have agreed memoranda of understanding, which promote sharing of resources with external partners such as the Environment Agency and British Waterways.
- 21 You are also actively involved in supporting the Regional Management Board (RMB). For example, you have invested officer and Member capacity in the RMB to support improvement and capacity-building across the region – such as leading a Best Value Review of training and development, one of six work streams being tackled. As a result, you have been able to influence the regional approach to issues such as selection interviews and Assessment and Development Centres.
- 22 However, you have not yet - collectively with partner FRA's - maximised the potential benefits of regional collaboration, but have recognised the improvement potential if greater consensus can be achieved. At the moment, regional collaboration is hindered by the lack of an RMB business plan or budget.
- 23 We have not identified any significant weaknesses in your arrangements for securing continuous improvement or failures in corporate governance that would prevent improvement levels from being sustained or increased.

Service assessment

- 24 The assessment focused on service delivery and looked at the effectiveness of your service as experienced by recipients. The assessment is based on two elements:
 - the performance information element (an analysis of outcome focused best value performance indicators selected from those nationally available to assess the outcome of the services delivered by the authority); and
 - the operational assessment of service delivery element (provided to the Commission by the Department of Communities and Local Government (DCLG)).

25 The results are set out in Figure 2 below.

Figure 2 Fire and rescue service assessment

| Element | Assessment |
|---|--|
| Performance indicator | 3 out of 4 |
| Operational assessment of service delivery | 4 out of 4 |
| Overall fire and rescue service assessment | 4 - Performing strongly – well above minimum requirements |

Source: Audit Commission

26 DCLG’s operational assessment of service delivery assessed the planning and delivery of emergency response. The following text is provided by DCLG.

'North Yorkshire Fire and Rescue Service is performing well in all areas of service delivery, and particularly strongly in risk analysis and prevention and protection. The Service has a robust and detailed risk analysis policy and uses the latest information available to inform performance and focus risk reduction activity. It continuously identifies and re-assesses risks in the area and this has led to a measurable eight per cent reduction in risk since 2004. The Service has an innovative vision, '125 ALIVE', which seeks to ensure that 125 more people will be alive in the ten years to 2014 because of its work. This vision is clearly understood by staff and partners, and the Service is actively engaged in a significant number of effective risk reduction activities. The Service is well prepared operationally and has effective policy provision for partnership working. Call management arrangements are good, and a comprehensive range of operational policies and procedures ensure that staff respond to emergencies effectively. Overall the Service provides an effective and focused service that concentrates resources on reducing the level of risk in the community.'

Financial management and value for money

- 27 As your Appointed Auditor I reported to you on 27 September 2006 the issues arising from our 2005/06 audit. I have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 28 My findings are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made in the following areas.
- Financial Reporting (including the preparation of your accounts and the way these are presented to the public).
 - Financial management (including how financial management is integrated with strategy to support your priorities).
 - Financial Standing (including the strength of your financial position).
 - Internal Control (including how effectively you maintain proper stewardship and control of your finances).
 - Value for money (including an assessment of how well you balance the costs and quality of services).
- 29 For the purposes of the CPA we have assessed your arrangements for use of resources in these five areas as follows.

Table 1

| Element | Assessment |
|--|------------|
| Financial reporting | 3 out of 4 |
| Financial management | 3 out of 4 |
| Financial standing | 3 out of 4 |
| Internal control | 3 out of 4 |
| Value for money | 3 out of 4 |
| Overall assessment of the Audit Commission | 3 out of 4 |

(Note: 1=lowest, 4=highest)

- 30 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.

Financial reporting

- 31 The accounts were produced well within the deadlines. There was one non trivial misstatement in the accounts (which was as a result of late information from the Government Actuary) and this was reported to those charged with governance. Accuracy, openness and accountability are areas where you have improved arrangements in recent years and this is reflected in the financial reporting performance.
- 32 The main area of improvement identified was the need to publish an annual report or similar document, which includes the summary accounts produced this year accompanied by an explanation of key financial information, designed to be understandable and informative to members of the public. This should be available in a wide variety of formats in order to meet local user needs.

Financial management

- 33 You have taken effective action to ensure that its medium term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. Performance is actively managed against budgets and you have a good track record of spending within budgets. There is an overarching capital strategy and asset management plan.
- 34 The main area for improvement include the following.
 - Identify within the Medium Term Financial Strategy (MTFS) the financial implications of joint plans agreed with partners and other stakeholders.
 - Monitor how financial plans and strategies have contributed to the achievement of corporate objectives.
 - Develop an approach for the co-ordination of asset management information and its integration with relevant organisational financial information.
 - Performance measures and benchmarking should be used to describe and evaluate how the asset base contributes to the achievement of corporate objectives and improvement opportunities.

Financial standing

- 35 You have approved a target level of reserves that is reflected in the budget and MTFS. You have made appropriate provision in its MTFS to manage the impact of significant future events and effectively manage spending within the available resources.
- 36 Existing arrangements could be strengthened by members monitoring key financial health indicators and setting challenging targets for, for example, levels of variances from budget, prudential framework indicators and capital programme management and the evidencing of the wider consideration and understanding by members of the opportunity costs of maintaining the present level of reserves and balances.

Internal control

- 37 You actively promote probity and propriety in the conduct of your business. Risk management has been evolving and improving and it is being further embedded throughout the organisation. Systems of internal control are generally sound.
- 38 Current arrangements could be enhanced by:
- all members and senior officers receiving business risk management awareness training;
 - the nomination a specific member champion for risk management;
 - the assurance framework being fully embedded in the authority's business processes; and
 - standing orders, standing financial instructions and scheme of delegation making specific reference to arrangements for working in partnership with others.

Value for money (vfm)

- 39 Your awareness of comparative costs is low; for example that costs associated with your corporate and democratic core were above average. Although you have identified community fire safety as a priority and have increased expenditure in this area, you have not assessed the cost impact of the resultant outcomes.
- 40 You do not have clear and reliable information on comparative costs, which limits your ability to challenge your vfm; a vfm culture is developing but is not yet consistently embedded. Whilst members routinely challenge overall cost by ensuring that increases in council tax precept are low, the approach to challenging vfm is less rigorous. Your use of whole life costing in procurement has been limited to some major projects and you are unable to robustly quantify the improved outcomes arising from earlier investment decisions.
- 41 Your current arrangements to promote vfm could be improved by:
- developing a greater understanding of the cost implications associated with delivering services across a large, primarily rural area, with widely dispersed communities;
 - strengthening your approach to whole life costing;
 - developing a consistent approach to promoting VFM throughout your activities and encourage members to adopt a more challenging approach to vfm; and
 - ensuring that improvements arising from investment decisions can be robustly quantified.

Review of Modernisation Arrangements

- 42 During 2006 we reviewed your progress against the modernisation agenda. We found that you had risen to the challenges of modernisation, with clear and realistic plans to promote improvement, together with bold changes to working practices, introduced to improve your effectiveness and efficiency.
- 43 The recommendations arising from our review focused on the need to strengthen your administrative arrangements and your arrangements to promote equality and diversity.

Conclusion

- 44 This letter has been discussed and agreed with the Chief Fire Officer and the Director of Corporate Services. A copy of the letter will be presented to the Fire and Rescue Authority on the 18 June 2007.
- 45 The Authority has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

Availability of this letter

- 46 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on your website.

Mark Kirkham
District Auditor and Relationship Manager
February 2007