

The Accounts Commission for Scotland

Agenda

Meeting on Thursday 16 February 2012,
in the offices of Audit Scotland, 18 George Street, Edinburgh

The meeting will begin at 10:00 am

1. **Apologies for absence**
2. **Declarations of interest**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 12 to 16 in private.
4. **Minutes of meeting of 19 January 2012**
5. **Minutes of meeting of the Performance Audit Committee of 2 February 2012**
6. **Chair's introduction:** The Chair will report on recent activity and issues of interest to the Commission.
7. **Update report by the Controller of Audit:** The Commission will consider a report from the Controller of Audit on significant recent activity in relation to the audit of local government.
8. **Best Value Audit – Grampian Fire and Rescue:** The Commission will consider a report by the Controller of Audit.
9. **Best Value Audit – Highlands and Islands Fire and Rescue:** The Commission will consider a report by the Controller of Audit.
10. **Board of Strathclyde Fire and Rescue:** The Commission will consider a report by the Controller of Audit.
11. **Best Value Audit – Grampian Fire and Rescue:** The Commission will consider the action it wishes to take on the report.
12. **Best Value Audit – Highlands and Islands Fire and Rescue:** The Commission will consider the action it wishes to take on the report.
13. **Board of Strathclyde Fire and Rescue:** The Commission will consider the action it wishes to take on the report.
14. **Scottish Parliament Local Government and Regeneration Committee Inquiry into Public Sector Reform and Local Government in Scotland: Draft Response:** The Commission will consider a report by the Secretary and Business Manager
15. **An Overview of Local Government 2012:** The Commission will consider a draft report

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of the meeting of the Commission of 19 January 2012	AC.2012.2.1
Agenda Item 5: Minutes of the meeting of the Performance Audit Committee of 2 February 2012	AC.2012.2.2
Agenda Item 7: Update report by the Controller of Audit	AC.2012.2.3
Agenda Item 8: Report by the Controller of Audit	AC.2012.2.4
Agenda Item 9: Report by the Controller of Audit	AC.2012.2.5
Agenda Item 10: Report by the Controller of Audit	AC.2012.2.6
Agenda Item 14: Report by the Secretary and Business Manager	AC.2012.2.7
Agenda Item 15: Report by the Director of Best Value and Scrutiny Improvement	AC.2012.2.8

ACCOUNTS COMMISSION

MEETING 16 FEBRUARY 2012

MINUTES OF PREVIOUS MEETING

Minutes of the meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 19 January 2012, at 10am

PRESENT: John Baillie (Chair)
Michael Ash
Allan Campbell
Sandy Cumming
Colin Duncan
James King
Bill McQueen
Christine May
Linda Pollock
Graham Sharp
Douglas Sinclair (Deputy Chair)

IN ATTENDANCE: Barbara Hurst, Director of Performance Audit [Item 13]
Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement (BVSI)
Fiona Kordiak, Director of Audit Services
Paul Reilly, Secretary and Business Manager
Gordon Neil, Portfolio Manager, BVSI [Items 8 and 9]
Kathrine Sibbald, Project Manager, BVSI [Items 8 and 9]
Martin Walker, Assistant Director, Best Value and Scrutiny Improvement [Item 12]
Lorna Skirving, Portfolio Manager (Best Value), BVSI [Item 12]
Angela Cullen, Assistant Director, Performance Audit Group [Item 13]
Tricia Meldrum, Portfolio Manager (Health and Sport), Performance Audit Group, [Item 13]
Carolyn Smith, Project Manager, Performance Audit Group [Item 13]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 15 December 2011
5.	Minutes of the meeting of the Performance Audit Committee of 9 December 2011
6.	Chair's introduction
7.	Update report by the Controller of Audit
8.	Best Value Audit – Dumfries and Galloway Fire and Rescue
9.	Best Value Audit – Fife Fire and Rescue
10.	Best Value Audit – Dumfries and Galloway Fire and Rescue

11. Best Value Audit – Fife Fire and Rescue
 12. How Councils Work 3 – Using cost information to inform decisions and improve performance
 13. Planning for the delivery of the Commonwealth Games 2014: progress report 2
 14. Any other business
-

1. Apologies for absence

Apologies were submitted from Colin Peebles.

2. Declarations of interest

The following declarations of interest were made:

- Douglas Sinclair in items 9 and 11 as a former employee of Fife Council.
- Christine May in items 9 and 11 as a former member of Fife Council.

3. Decisions on taking business in private

The Commission agreed to take the following items in private:

Items 10 and 11, to allow deliberations on actions arising from their deliberation

Items 12 and 13, as they were draft reports.

4. Minutes of meetings of 15 December 2011

The minutes of the meeting of 15 December 2011 were submitted and approved.

5. Minutes of the meeting of the Performance Audit Committee of 9 December 2011

The minutes of the meeting of the Performance Audit Committee of 9 December 2011 were submitted and approved.

6. Chair's introduction

The Chair reported that:

- On 15 December 2011, he and the Deputy Chair met with Pat Watters, President of COSLA, to discuss matters of mutual interest.
- On 12 January 2012, he and the Deputy Chair met John Swinney MSP, the Cabinet Secretary, and Derek Mackay MSP, Minister Designate for Local Government and Planning, to discuss the Scottish Government's proposed review of community planning. Thereafter, he attended as an observer a meeting in the same vein between the Cabinet Secretary and representatives of COSLA and the Society of Local Authority Chief Executives in Scotland.

7. Update report by the Controller of Audit

The Commission considered and noted a report by the Controller of Audit providing an update on significant recent activity in relation to the audit of local government.

During discussion the Commission noted advice from the Controller of Audit that:

- He met with the Convenor of Strathclyde Fire and Rescue on 12 January 2012 about the 2010/11 annual audit report, upon which he would submit a report to the next meeting.
- He would submit a report to the next meeting on a proposed response by the Commission into the call for evidence by the Scottish Parliament's Local Government and Regeneration Committee in its inquiry into public services reform.
- He would submit a report to the next meeting on the recently published Bill on police and fire service reform.

Thereafter the Commission agreed to note the report.

8. Best Value Audit: Dumfries and Galloway Fire and Rescue

The Commission considered a report by the Secretary and Business Manager introducing the Best Value audit of Dumfries and Galloway Fire and Rescue, and seeking direction on how to proceed.

During discussion, the Commission agreed that the following issues be considered for inclusion in its report on an overview of the Best Value audit of fire and rescue services, to be published by the Commission later in 2012:

- Longer term trends in correlations between incidences of fires and risk management, including the period prior to the Fire (Scotland) Act 2005
- Relations between fire and rescue services and councils
- Lessons learned in joint working between different fire and rescue services, or between fire and rescue services and other emergency services.

(Action: Director of BVSI)

The Commission sought clarification and further explanation from the Controller of Audit and the audit team on a number of points in the report.

The Commission agreed to note the report and to consider in private its findings.

9. Best Value Audit – Fife Fire and Rescue

The Commission considered a report by the Secretary and Business Manager introducing the Best Value audit of Fife Fire and Rescue, and seeking direction on how to proceed.

During discussion, the Commission agreed that its report on an overview of the Best Value audit of fire and rescue services, to be considered in 2012, address the following issues:

- A review of levels and quality of scrutiny between joint fire boards and unitary council fire committees
- Crewing levels on fire appliances.

(Action: Director of BVSI)

The Commission sought clarification and further explanation from the Controller of Audit and the audit team on a number of points in the report. Arising therefrom, the Commission noted advice from the Controller of Audit that, in relation to a point in the report on reserves, the service can, as part of the Council, have access, if warranted, to the reserves of the Council.

The Commission agreed to note the report and to consider in private its findings.

10. Best Value Audit: Dumfries and Galloway Fire and Rescue (in private)

The Commission agreed that this item be held in private to allow it to consider actions in relation to its findings.

Thereafter, the Commission agreed to make findings as contained in the report to be published in early course.

11. Best Value Audit – Fife Fire and Rescue (in private)

The Commission agreed that this item be held in private to allow it to consider actions in relation to its findings.

Following discussion, the Commission agreed to make findings as contained in the report to be published in early course.

12. How Councils Work Series – cost information (in private)

The Commission considered a report by the Director of Best Value and Scrutiny Improvement on the draft of the third report in the 'How Councils Work' series, on councils using cost information.

The Commission:

- Agreed a number of revisions to the draft report
- Agreed that the publication arrangements include the following:
 - Publication on the Audit Scotland website, supported by a press release and podcast
 - Distribution of the report to all councillors in Scotland
 - A letter from the Chair to chief executives, highlighting the importance of the issues contained in the report and suggesting it could be used as part of the induction process for elected members following the election in May

- Production of a shorter summary report containing 'signposting' to the full report, the drafting of which to be overseen by the project sponsors, Bill McQueen and Graham Sharp
- Approved the draft report for publication, subject to consideration being given to a number of points raised in discussion and to further consultation with the project sponsors.

13. Planning for the delivery of the Commonwealth Games 2014: progress report 2 (in private)

The Commission considered a draft report by the Director of Performance Audit on the progress of the 2014 Commonwealth games project, prepared jointly on behalf of the Accounts Commission and the Auditor General for Scotland.

During discussion, the Commission:

- With reference to paragraph 4 of the minutes of meeting of the Performance Audit Committee of 9 December 2011, agreed that:
 - Legacy issues, including those in relation to the London 2012 Olympics, continue to be monitored
 - The progress of the Commonwealth Games 2014 project be monitored, with a view to considering at a later date the desirability of a further progress report
- Agreed a number of changes to the draft report
- Agreed that the draft report be issued for clearance with the Scottish Government.

Thereafter Commission approved the draft report, to be published on 22 March 2012, subject to consideration being given to a number of points raised in discussion and to further consultation with performance audit sponsors, Bill McQueen and Christine May.

ACCOUNTS COMMISSION

MEETING 16 FEBRUARY 2012

MINUTE OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 2 FEBRUARY 2012

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of Audit Scotland, 18 George Street, Edinburgh on Thursday, 2 February 2012, at 10.30am.

PRESENT: Douglas Sinclair (Chair)
John Baillie
Alan Campbell
Jim King
Colin Peebles

IN ATTENDANCE: Fraser McKinlay, Director of Best Value and Scrutiny Improvement (BVSI)
Barbara Hurst, Director of Performance Audit
Paul Reilly, Secretary and Business Manager
Angela Canning, Assistant Director, Performance Audit Group (PAG)
Angela Cullen, Assistant Director, PAG
Ronnie Nicol, Assistant Director, PAG
Mark Roberts, Portfolio Manager, PAG [Item 4]
Miranda Alcock, Portfolio Manager, PAG [Item 5]
Ffionn Heledd, Project Manager, PAG [Item 5]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 9 December 2011
4.	Improving energy efficiency – impact report
5.	Reducing reoffending – project brief
6.	Update on Performance Audit Programme and Best Value and Scrutiny Improvement work
7.	Date of next meeting
8.	Any other business

1. Apologies for absence

Apologies for absence were received from Mike Ash and Christine May.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 9 December 2011

The minutes of the meeting of 9 December 2011 were submitted and approved.

In relation to paragraph 8 of the minute (Lean review of PAG's Project Management Framework), advice from the Director of Performance Audit was noted that she would submit a report to the March meeting of the Performance Audit Committee on the outcome of the lean review exercise.

In relation to paragraph 4 of the minute (Planning for the delivery of the Commonwealth Games 2014 – progress report 2), advice from the Director of Performance Audit was noted that the draft report is now with various bodies as part of the clearance process.

4. Improving energy efficiency – impact report

The Committee considered a 12 month impact report by the Director of Performance Audit in relation to the report *Improving Energy Efficiency*, published in December 2010.

During discussion, the Committee agree to recommend to the Accounts Commission that a reference to cost issues associated with energy efficiency measures be included in the 2012 local government overview report.

[Action – Secretary and Business Manager]

Thereafter the Committee agreed to note the impact report.

5. Reducing reoffending – project brief

The Committee considered a report by the Director, PAG seeking approval of a project brief for the performance audit *Reducing Reoffending*.

During discussion, the Committee agreed:

- To note advice from the Director that further consideration would be given to the sensitivities associated with the publishing of cost information
- That the report include reference to the importance of employability for offenders, and in this regard to welcome the team's inclusion of research on international comparisons

[Action – Director of Performance Audit]

- To note advice from the Director that representatives of offender rehabilitation and support groups are included in the audit advisory group
- That the outputs from the audit be considered in the future development of the audit programme in relation to early intervention and prevention.

[Action – Director of Performance Audit]

Thereafter the Committee approved the project brief.

6. Update on Performance Audit Programme and Best Value and Scrutiny Improvement work

The Committee considered a joint report by the Director, PAG and Director, Best Value and Scrutiny Improvement outlining progress of performance audits and the *How Councils Work* series, and providing information on development work to support the rolling programme approach.

During discussion, the Committee agreed:

- That the portfolio briefing paper attached to the report would be a useful way in the future of briefing members of the committee on policy portfolio areas
- That it would welcome information on the new remits of the different inspectorates and any particular issues that they are engaged in

[Action – Director of Performance Audit and Director of BVS]

- That a document be developed, covering the areas in the report, to accompany the local government digest paper that is circulated to Commission members.

[Action – Director of Performance Audit]

Thereafter the Committee agreed to note the report.

7. Date of next meeting

The next meeting is scheduled for Thursday, 29 March 2012, at 10.30am.

ACCOUNTS COMMISSION

MEETING 16 FEBRUARY 2012

REPORT BY THE CONTROLLER OF AUDIT

UPDATE REPORT

Introduction

1. The purpose of this regular report is to provide an update to the Commission on significant recent activity in relation to the audit of local government.
2. It is intended to complement the intelligence reports to the Financial Audit and Assurance Committee, which provide a more detailed update on issues arising in local government. The most recent such report was at the Committee meeting of 9 February 2012.

Local government issues

3. The annual round of shared risk assessment continues to progress well. Assurance and Improvement Plans (AIP) have been produced for all councils and are now subject to quality assurance processes before completion.
4. Two matters which are being investigated by Audit Scotland staff have attracted media attention. The Hamilton Advertiser has obtained a copy of an anonymous letter making allegations about a number of issues relating to management of South Lanarkshire Council. I have spoken to the Chief Executive of the council about these allegations and Audit Scotland is developing plans to undertake some preliminary audit work.
5. A number of newspapers have carried stories relating to the retirement and subsequent re-employment of the Chief Fire Officer at Strathclyde Fire and Rescue. A report on this matter is on the Commission's agenda for today's meeting.
6. The press has also reported on continuing changes to ALEOs at Glasgow City Council. A number of papers have carried stories suggesting that the company that runs the council's car parks (City Parking) is in financial difficulties and that its managers have resigned.
7. Edinburgh City Council has voted against plans to outsource services under its alternative business model. Despite a significant investment in researching the model (reported to be some £4 million) council members decided that attention should focus on improving the efficiency of services delivered in-house.
8. Jimmy Campbell, Chief Fire Officer, Lothian and Borders Fire and Rescue Service has announced his retirement.
9. Shetland Islands Council has appointed James Gray, an Audit Manager with Price Waterhouse Coopers (PwC) as the new Executive Manager – Finance. He is expected to take up the post within the next three months.

Parliamentary news

10. Councils now have full details on the effect of proposals in the Scottish Government's budget. Indications are that all councils will accept the proposed allocations and will continue the freeze on council tax for another year.

Other /

Other

11. The National Audit Office published its report on the delivery of the free entitlement to education for three- and four-year-olds in England. The report found that the Department for Education has made progress against many of its objectives, but it must address variations in take-up, quality of provision and the impact on attainment in later years.

Conclusion

12. The Commission is invited to consider and note this report.

Fraser McKinlay
Controller of Audit
7 February 2012

ACCOUNTS COMMISSION

MEETING 16 FEBRUARY 2012

COVER NOTE BY SECRETARY AND BUSINESS MANAGER

BEST VALUE AUDIT: GRAMPIAN FIRE AND RESCUE

Purpose

1. The purpose of this paper is to introduce the report of the Best Value audit of Grampian Fire and Rescue. The Commission is invited to consider the report and decide which of the options for action it wishes to take.

Background

2. At its meeting in April this year, the Accounts Commission approved a programme of Best Value audits to be carried out on each of the eight Scottish fire and rescue services and authorities. These reports are being prepared by the Controller of Audit in accordance with Section 102(1) of the Local Government (Scotland) Act 1973. It was agreed that these audits would be more targeted and focused than other Best Value audits, with an emphasis on local accountability. At its last meeting in November, the Commission noted an update on the progress of the audit programme, and noted a timetable for the programme of audits, including a national overview report at the end of the eight audits.

The report

3. This report and that for Highlands and Islands Fire and Rescue are the fifth and sixth in the audit programme that comprises of eight audits. It is also being sent to the Clerk of the Joint Fire and Rescue Board, which is comprised of elected members from the three constituent councils – Aberdeen City, Aberdeenshire and Moray. The Clerk of the Board is required to supply a copy of the report to each member of the Board and to make additional copies available for public inspection.
4. The legislation provides that, on receipt of a Controller of Audit report, the Accounts Commission may do, in any order, all or any of the following, or none of them:
 - (a) Direct the Controller of Audit to carry out further investigations;
 - (b) Hold a hearing;
 - (c) State its findings.

Consideration of the report

5. The Controller of Audit and members of the audit team from Audit Scotland will be present at the Commission meeting to answer questions.
6. If the Commission considers that it requires further information to proceed with its consideration of the report, it may direct the Controller of Audit to carry out further investigations. If the Commission is satisfied with the information which it has, it may wish to proceed to make findings unless members consider that a hearing is necessary.

7. The circumstances in which the Commission may wish to hold a hearing are likely to include:
 - where the Commission has serious concerns about the performance of a local authority as demonstrated in the audit report; or
 - where there is a strong difference of opinion between the Controller of Audit and the local authority.
8. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make enforcement directions requiring authorities to take such action as is specified in the Direction.

Media

9. Once the report is sent to the fire committee and the fire and rescue service it is effectively in the public domain and may attract media interest. As with council Best Value audits, it is not intended that any media comment should be made by the Commission until it has deliberated on the report.

Conclusion

10. The Commission is invited to:
 - consider the report by the Controller of Audit on the Best Value audit of Grampian Fire and Rescue; and
 - decide how it wishes to proceed.

Paul Reilly
Secretary and Business Manager
3 February 2012

Audit of Best Value

Grampian Fire and Rescue

A report by the Controller of Audit
Prepared for the Accounts Commission
February 2012

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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Commission findings

The audit of Best Value

1. Local authorities in Scotland, including fire and rescue, have a statutory duty to deliver best value in their services. This requires them to establish management arrangements, aimed at securing continuous improvements in their performance while maintaining an appropriate balance between quality and cost.
2. Since 2004, Audit Scotland has carried out audits of Best Value in each of the 32 councils in Scotland and in most police authorities. These audits have helped to improve performance and accountability in local government and have brought unsatisfactory performance to the public's attention through the public reporting process.
3. The responsibilities of fire and rescue services have changed significantly over the past decade. In 2003, all Scottish services were required to produce Integrated Risk Management Plans (IRMP), identifying the level of local risks and determining the appropriate allocation of resources. The Fire (Scotland) Act 2005 introduced further changes, placing a strong emphasis on prevention rather than simply emergency response.
4. Some aspects of Best Value in fire and rescue have been covered in earlier Accounts Commission reports, particularly the *Scottish Fire Service: verification of the progress of modernisation*, published in 2004, and *Review of Service Reform in Scottish Fire and Rescue Authorities*, published in 2007. So far, however, there has not been any dedicated audit, covering all key aspects of Best Value.
5. Following a formal consultation with stakeholders in late 2010, the Accounts Commission decided that the audit of Best Value should be extended to fire and rescue. With the Scottish Government signalling a potential restructuring of the services, however, it was recognised that the audit needed to be proportionate, seeking to identify the key strengths which should be retained in a future structure and any significant weaknesses which needed to be resolved. The Scottish Government has subsequently announced its commitment to deliver a single fire and rescue service for Scotland, with details on the Police and Fire Reform Bill (Scotland) 2012 published in January 2012.
6. During 2011, audits were carried out at each of the eight Scottish fire and rescue services and authorities. These focussed on core issues, such as strategic planning, the role of members, financial management, and service performance and costs. These local reports, which aim to support improvement and local accountability, will be followed by the publication of a national overview report later in 2012. A number of best value issues, including equalities, sustainability and procurement have not been covered directly in the scope of the local audit work. These, along with a range of other issues, will be covered in the national overview report.
7. We carried out the Best Value audit of Grampian Fire and Rescue during July 2011. We gratefully acknowledge the co-operation and assistance provided to the audit team by the

Chief Fire Officer, David Dalziel; the Convenor of the joint board, Councillor Mike Raeburn, and all other elected members and staff involved.

Summary

8. Grampian Fire and Rescue provides an effective and relatively low cost emergency response service. Its work has contributed towards Grampian experiencing a below average number of primary fires and the lowest level of secondary fires in Scotland. The time it takes to respond to emergencies has remained relatively constant over time and is in line with a published set of local risk-based targets.
9. There is scope for Grampian Fire and Rescue to strengthen its focus on prevention. It works effectively with partner organisations in helping to prevent fires and in reducing road traffic collisions. However, it carries out the lowest proportion of home fire safety visits and statutory fire safety audits of any Scottish fire and rescue service, although it is targeting its activity more towards high risk individuals. It also records the one of the highest level of fire related casualties, indicating the potential for its prevention activity to have a much greater impact.
10. Grampian Fire and Rescue has strengthened its management arrangements in recent years to better support the delivery of its vision. It has clear aims that cascade through corporate strategies and well-structured business plans. Its recently updated IRMP demonstrates a good analysis of local risks, with associated risk reduction targets and response standards. Its *Community Risk Reduction Focus* document supports the IRMP well in prioritising operational activity towards minimising areas of identified risk.
11. Members have been improving their strategic leadership role and scrutiny of resources and performance. They have also taken the positive step of evaluating their own effectiveness using the Public Service Improvement Framework (PSIF), although the results of this exercise highlight significant scope to carry out their role more effectively.
12. Grampian Fire and Rescue works well with its partners and through effective partnership working has been able to positively influence outcomes, such as significantly reducing secondary fires and the number of people killed or injured in road traffic collisions. As with many other fire and rescue services, it can better share information with other agencies to target community safety work more effectively towards identified areas of risk. Board members need to play a more proactive role in influencing and coordinating strategic partnership working.
13. Grampian has a well-developed performance planning and management framework. It reports a good range of performance information to the joint board and the public, but this would benefit from the inclusion of additional information and comparative data. At an operational level, its Service Improvement Team promotes a strong culture of improvement, carrying out a programme of station audits and helping provide assurance on the maintenance of training and safe working standards.
14. In the face of significant financial challenges, Grampian Fire and Rescue has demonstrated strong financial management and has been proactive in making efficiency savings. It has a

range of strategies for managing its workforce but continues to face difficulties in filling supervisory manager vacancies and recruiting sufficient Retained Duty System (RDS) firefighters. It has a strong focus on the health and safety of staff and its 'safe person' project is central to all of its business planning. It is improving the way in which it manages its assets and addressing problems in its information and communications technology.

Context

15. Grampian Fire and Rescue delivers services to a population of over 550,000 people across 3,373 square miles of the Aberdeen City, Aberdeenshire and Moray Council areas. The Grampian area is a popular location for tourists and the overall population rises to over 850,000 at peak times. The region has great diversity, from Scotland's third largest city to large areas of sparsely populated and remote rural areas and this presents challenges for fire and rescue operations.
16. Grampian has a number of sites that present significant fire and rescue risks including a busy industrial harbour, major oil and gas terminals and the most frequently used heliport in the country. In addition there is the biggest single site hospital in Europe, two operational RAF bases, two prisons and the Royal Residence at Balmoral Castle. Grampian experiences a high number of road traffic collisions (RTCs), with the most people killed or seriously injured per million vehicle kilometres in Scotland.
17. Grampian Fire and Rescue spends £25.7 million, and employs 797 staff, including 315 whole time and 382 retained firefighters. As well as its headquarters in Aberdeen, staff are based in 39 fire stations throughout the area. Three stations in Aberdeen are staffed by whole time crews, two through a combination of whole time and retained crews (Elgin and Peterhead), 34 stations are staffed by retained fire crews, and there is a volunteer unit at Gordonstoun School (Exhibit 1). It has 81 fire appliances, including a range of specialist units for water rescue, urban search and rescue, etc.

Exhibit 1: Staffing ratios and fire stations in Grampian



	Grampian		Scotland
	No.	%	%
Whole time	315	39	50
Retained	382	48	34
Other	100	13	16
Total	797	100	100

Source: Grampian Fire and Rescue

18. Grampian Fire and Rescue Service is governed by a joint fire and rescue board that comprises 15 councillors from Aberdeen City, Aberdeenshire and Moray Councils. The board and its two sub-committees, the Strategy Committee and Scrutiny Committee each meet five times a year.

Governance and management

Vision and strategic direction

Grampian Fire and Rescue has been developing its management arrangements in recent years to better support the delivery of its vision. It has clear aims that cascade through corporate strategies and well-structured business plans. Its IRMP provides a clear strategic analysis of local risks, helping to drive local response standards and the allocation of resources. There is scope, however, to strengthen the links between IRMP and its fire prevention strategy. Elected members' leadership has been improving in recent years, with considerable support from officers, but still requires further development.

19. Grampian Fire and Rescue's strategic vision captures six main themes that the service will concentrate on over the next ten years (Exhibit 2). Each of these themes is supported by a specific strategy to help service managers align their plans, projects and tasks to the organisational vision.

Exhibit 2: Themes of Grampian Fire and Rescue's ten year strategic vision

- **Reducing** risk
- **Communicating** more effectively
- **Working** more efficiently
- **Maximising** staff potential
- **Promoting** diversity and equality
- **Protecting** the environment

Source: *Grampian Fire and Rescue*

20. In recent years, Grampian Fire and Rescue has strengthened its management arrangements to deliver its vision. This includes the development of its six thematic strategies and publication of its IRMP 2011-2014. Grampian also has a comprehensive business planning framework, through which it has developed medium-term service plans and detailed business plans.
21. Grampian Fire and Rescue's IRMP 2011-2014 provides a clear strategic analysis of incidents experienced across the area, with supporting risk maps for different geographic areas, based on Fire Services Emergency Cover (FSEC) and other risk profiling software. It is a three-year plan, underpinned by a specific annual action plan that is subject to public consultation. In addition, potential options to balance risk and resources are outlined for years two and three, for example, re-assessing the level of cover required across the

Grampian area and what fire engines and specialist vehicles are needed, where they should be located and how they should be crewed.

22. The current IRMP annual action plan focuses on two significant actions: to introduce more robust demand reduction measures for calls generated from automatic fire alarms (AFAs); and relocating the wholetime crew from Dyce to Altens fire station in order to improve risk management and reduce activity within Aberdeen City fire station. Following public consultation carried out jointly between Grampian Fire and Rescue senior management and the Fire Brigades Union (FBU), the move from Dyce to Altens was completed in August 2011 and provides a positive example of using IRMP to redeploy resources to meet risks.
23. Grampian Fire and Rescue support its IRMP with its annual *Community Risk Reduction Focus* document. This assigns risk to different incidents across its three command areas and supports managers in prioritising their activity towards minimising areas of identified risk.
24. During 2011, Grampian Fire and Rescue has been developing its IRMP framework to station level, with the introduction of station based plans and targets. This has been a recognised gap, with the need to develop plans for retained stations identified in the Accounts Commission's previous study in 2006. Station plans are a positive development to Grampian Fire and Rescue's IRMP framework, although at the time of our audit, these were just beginning to be rolled out and therefore it was not possible to judge how they would contribute to local outcomes.
25. In recent years, members of Grampian Joint Fire and Rescue Board have been improving the way they deliver their strategic leadership and scrutiny roles. The strategy committee in particular has demonstrated leadership in discussions on reserves, identifying the need for an environmental strategy and getting more involved in agreeing IRMP action plans. The board has also been willing to take difficult policy decisions, in particular, its decision to transfer the wholetime fire crew from Dyce to Altens to better align resources with identified risk.
26. Despite the level of recent progress by the board, there remains significant scope for it to deliver its role more effectively. This is highlighted in the self-evaluation exercise carried out by the scrutiny committee in 2010 using the PSIF. It is encouraging that members of board have carried out a self-evaluation of their role. The outputs of this exercise show that, amongst other things, there is scope for the board to increase its accountability and for board members to become more involved in strategy development.
27. Grampian Joint Fire and Rescue Board revised its governance structure in April 2010, after looking at other governance models. The current structure has introduced a Strategy Committee and Scrutiny Committee to support the board and the remit of the committees complement the role of board well. Whilst members have been improving the way they deliver their leadership and scrutiny role, in practice, however, the revised structure has had limited impact in strengthening governance and members have not fully differentiated

their different roles on the joint board and the new committees. This needs to be addressed if they are to be more effective in meeting their aims.

28. Administrative support and the clerk function for the board and its committees is provided by Aberdeenshire Council. The resource requirement in providing this support is proportionate to that of the council's own committees. In addition to this, Grampian Fire and Rescue service has provided a range of training to board members to support them in carrying out their role more effectively. Members' PSIF self-evaluation highlighted scope for them to receive more effective continued professional development (CPD). However, members' attendance at training and development sessions has been relatively poor and finding ways of overcoming this will be an important consideration for the formation of a new board in 2012.

Partnership working

Grampian Fire and Rescue works well with its partners to positively influence outcomes. While there is scope for further improvements, it has established good levels of information sharing with other public organisations to help improve the targeting of community safety work. Board members need to be more proactive in influencing and coordinating strategic partnership work.

29. Fire and rescue services work through a range of partnership arrangements. They plan for civil contingencies with public and private sector partners through Strategic Co-ordinating Groups (SCGs). Prevention activity is typically delivered through community safety partnerships, working with local authorities, police, health, social landlords and the voluntary sector and sharing information on individuals at risk is key to ensuring prevention activity is most appropriately targeted. Fire and rescue services also deliver their response services in conjunction with other emergency services such as police, ambulance service, coast guard and mountain rescue. Individual fire and rescue services also work with other fire and rescue services, typically to provide cross-border response services or contributing to national resilience for major incidents.
30. Grampian Fire and Rescue works closely with partners in planning for civil contingencies. It is an active participant in the Grampian Strategic Co-ordinating Group, which carries out high level risk planning for major incidents which could disrupt the area. All of this activity is summarised in the Grampian Community Risk Register, setting out the major risks facing the area and the action taken by each partner to manage these risks. It has used this to inform local resourcing decisions, for example, developing flood rescue provision across a range of stations, as well as to inform local operating procedures.
31. Grampian Fire and Rescue also works effectively in partnership with other local organisations, particularly through its local community safety partnerships in the Aberdeen City, Aberdeenshire and the Moray Council areas. Its commitment and input into these partnerships has developed positively over time and is highly valued by the relevant community safety partners. Working with community planning partners has influenced a number of positive outcomes. For example, through working in partnership with Grampian

Police, countryside rangers and local schools, Grampian Fire and Rescue has helped significantly reduce wilful secondary fires in the 'Gramps' area of the city. The success of this partnership initiative was recognised through the achievement of a CoSLA bronze award. Similarly, the *Safe Drive Stay Alive* campaign with the Aberdeenshire Community Safety Partnership has helped influence the significant decreases in the number of road deaths and casualties in the area.

32. Across its three constituent councils there is local flexibility in the way it plans and coordinates effort with community safety partners. As may be expected, given the concentration of wholtime stations, coordination of plans with partners is strongest in Aberdeen City. Fire and rescue issues, particularly wilful fire raising, feature prominently in Aberdeen City's single outcome agreement (SOA) and this is reflected in their prominence in the Community Safety Partnership's strategic assessment. The effectiveness of the planning process and resulting prioritisation through these strategic assessments is useful in directing partnership activity, especially with substantial reductions in Aberdeen City's community safety budget.
33. The benefits of sharing information between partners to reduce risk are widely recognised. Grampian has a range of information sharing protocols in place with partners to facilitate this and can demonstrate that information sharing has led to better ways of working, for example a council housing refurbishment programme (including the installation of fire alarms) in Aberdeen City being reprioritised on the basis of fire risk. However, similar to other fire and rescue services, Grampian recognises that better information sharing to allow more effective targeting of community safety work is an area needing further development.
34. Grampian has a partnership register to monitor the work it is involved in and has carried out an evaluation of some of its partnership initiatives, such as *Safe Drive Stay Alive*. It recognises however, that it can use its partnership register as a basis to more effectively assess and evaluate the value its partnership arrangements are adding to local communities.
35. Grampian Fire and Rescue has produced a useful publication, *Our Contribution to Local Authority Single Outcome Agreements*. This provides a good reference point and source of information for officers, members and partners on how it aligns its business planning and corporate objectives to support the SOAs in its constituent local authorities. It not only highlights the outcome measures it is contributing to, but also provides examples of partnership initiatives to deliver improved outcomes.
36. Members of the board however, provide little strategic coordination of partnership activity and have no consistent oversight of how community safety strategies are being delivered or the service is influencing SOA outcomes. There is some recent improvement to this in Aberdeen City where, reflecting the high prominence of fire issues, there is now provision for a member of the joint fire board to sit on the community safety partnership.
37. Grampian also works effectively with other emergency services. This is best exemplified in it seconding officers to the 'Road Safety Grampian' unit within Grampian Police. The unit

aims to reduce risk on Grampian's roads by delivering educational programmes in the risk sectors of the community. Grampian Fire and Rescue had originally seconded three officers to the unit, but due to the unit's success in reducing RTCs by over 20 per cent, this has been now reduced to one officer.

38. Grampian Fire and Rescue also operates a life saving partnership with the Scottish Ambulance Service (SAS) in Maud, Aberdeenshire and has shared facilities with the SAS at Fraserburgh fire station. An agreement has also been established to allow SAS paramedic fast response vehicles to periodically operate from a number of fire stations in Aberdeen City thereby increasing the speed of attendance at medical emergencies. It also has an award winning collaborative agreement, whereby Aberdeen College run some higher education courses from ten of its fire stations
39. Grampian Fire and Rescue also works in collaboration with neighbouring fire and rescue services. For example it has provided a lead role nationally on improving carbon management and procurement and plays a lead role regionally, working with Highlands and Islands and Tayside Fire and Rescue services, in running staff assessment development centres. Beyond this, however, there are no significant shared services.

Performance management and improvement

Grampian has a well-developed performance planning and management framework. It reports a range of performance information to the joint board and the public that is linked to its priority themes. In some areas, performance information needs to provide a clearer picture of performance and would benefit from the inclusion of comparative data. It has been developing a stronger performance culture across the service in recent years and now carries out a range of review and continuous improvement activity. Members' scrutiny of performance is improving.

40. Grampian has a well developed performance planning and management framework, with clear links between its strategies, plans and performance monitoring. Grampian's business planning framework generates a consistent structure for its business plans. The resulting business plans clearly outline an initial impact assessment, a business case for possible options, risk assessments, consultation, resources required and delivery milestones. This is a positive development in allowing it to manage its performance effectively.
41. Grampian Fire and Rescue monitors and reports a good range of performance information to members and the public, with measures clearly linked to its priority themes. It reports its performance using a five year trend analysis where possible, so that overall performance is not skewed by short term fluctuations. This is a useful way of reporting its performance. Performance information would benefit from including benchmarks so that members can also judge comparative performance. Members of the scrutiny committee have identified this as a potential improvement through their PSIF self-evaluation exercise.
42. Similar to other fire and rescue services, the performance measures that Grampian Fire and Rescue reports to the board contain a range of indicators, including some of those

reported nationally by the Scottish Government. Whilst it has agreed the range of indicators to be included in reports with board members, the current range of indicators would be enhanced by ensuring that they provide a clear picture of performance. For example, it reports the number of incidents in which there were fatalities and casualties, but not the actual number of people who lost their life or were injured. To ensure greater transparency for members and other stakeholders, Grampian Fire and Rescue should ensure that this distinction is clear in performance reports.

43. Board members also need to satisfy themselves that they are receiving the most appropriate data on which to scrutinise performance. With the data available, they are improving the way they scrutinise performance and do focus attention on some of the key issues facing the service, for example reducing demand through minimising AFAs. However, as highlighted by the scrutiny committee's self-evaluation, there still remains scope for more active challenge from members.
44. Grampian Fire and Rescue has been strengthening its performance culture. This is reflected in: its introduction of performance targets during 2011; alternative corporate management team meetings now being performance management meetings, to review performance indicators and business plans; and increasing its emphasis on improvement and review, for example, the establishment of the Service Improvement Team (SIT) in 2008. The SIT carries out a programme of operational audits, identifying best practice and making recommendations for continuous improvement and has contributed heavily to the *Safe Person* project. It has also used other self-assessment techniques, such as *Kaizen Blitz*, and is now planning to apply the PSIF model to various areas of the service.

Use of resources

Grampian Fire and Rescue has generated significant efficiency in its use of resources to deliver services. It manages its financial resources well. It has a range of strategies for effective management of its workforce but continues to face challenges in recruiting retained fire fighters and supervisory managers. It has strengthened its strategic management of assets, and problems in information and communications technology are now being addressed. The joint board's oversight and scrutiny of the use of resources is improving.

46. Grampian Fire and Rescue has been proactive in reducing the financial demands on its constituent authorities. This is supported by effective financial controls and generating efficiency savings. It complements this with plans and strategies to manage its workforce and assets effectively within available budgets.
47. Members of the board approve and monitor the revenue budget and capital programme. The board now gets more actively involved at an earlier stage in determining budget options and its scrutiny of financial performance is improving. The scrutiny committee is also more frequently monitoring progress in achieving efficiency savings across the service.

Financial management

In the face of significant financial challenges, Grampian Fire and Rescue has demonstrated strong financial management and has been proactive in making efficiency savings. It faces tough decisions to balance its budget in 2012/13.

48. Grampian Fire and Rescue demonstrates strong financial management and has managed necessary budget cuts effectively to maintain service performance. It has had a healthy financial position, with reserves above its five per cent ceiling in 2010/11. This has allowed it to front-load savings in its medium term financial plans, to take into account the challenges facing its constituent authorities. In 2011/12, against a backdrop of 2.6 per cent reductions in local government grant funding, Grampian Fire and Rescue cut its requisitions from constituent authorities by 8.3 per cent. This strategy was adopted in recognition of the financial difficulties facing some of Grampian's constituent authorities and was achieved through 4.6 per cent cash savings, as well as using £1 million of its available reserves.
49. Grampian Fire and Rescue's financial strategy has included a range of significant savings, including; a reduction of four watch manager posts from moving wholetime crewing from Dyce to Altens; the success of the road safety Grampian unit allowing a reduction of two crew manager posts; better application of its charging policy; and cutting out all non-essential expenditure. It has also invested £1.5 million of capital expenditure in upgrading its appliances to rescue pumps (ie including equipment to deal with road traffic collisions) to avoid the need for specialist appliances.

50. Due to the current reform programme for fire and rescue services in Scotland, for 2012/13, Grampian Fire and Rescue is working to a one year rather than a three year budget as would be the norm. It is planning to operate with no increase on its 2011/12 revenue budget, but plans to supplement this with £1 million of funding from its current reserves of £1.5 million, with no increase in the funding requirements from the constituent authorities.

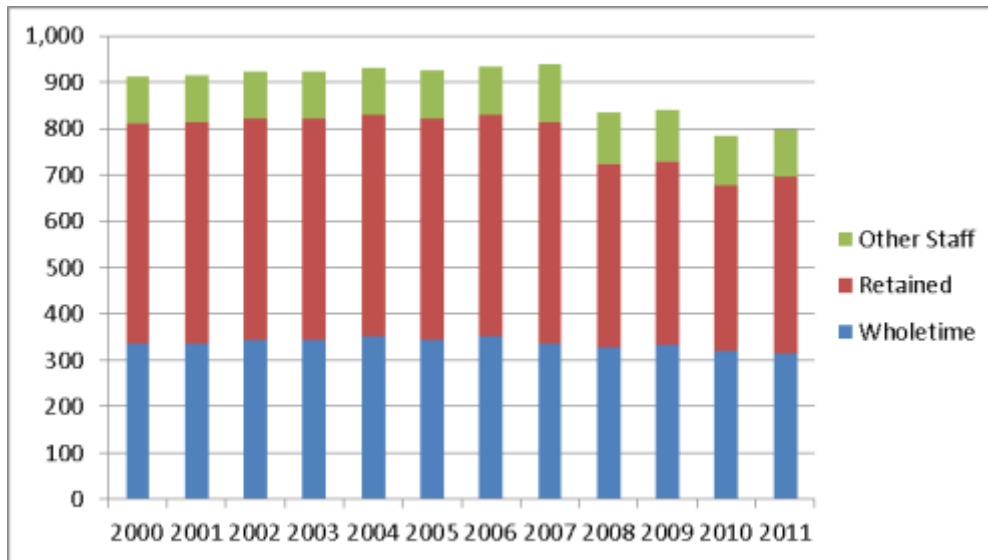
Workforce management

Grampian Fire and Rescue has a good range of strategies and business plans to manage its workforce effectively, although it faces recruitment and retention difficulties, particularly for supervisory managers and RDS firefighters. It has a strong focus on the health and safety of its staff. It operates a staff appraisal system, although it does not yet apply to senior officers. It has been successful in generating efficiency through reducing sickness absence levels.

51. Grampian Fire and Rescue has a range of strategies, with clear aims and objectives, which inform its approach to managing its workforce. This includes its:
- *Maximising Staff Potential* strategy, which focuses on standards for operational training and career pathways, integrating core fire fighting skills, such as incident command, with other management and leadership skills.
 - *Working More Efficiently* strategy, which outlines key roles and responsibilities to support its aim of being recognised as a high achieving, best value organisation.
52. Its strategies are supported by business plans and are monitored through a range of workforce related performance information.
53. Strategic workforce planning in Grampian Fire and Rescue is linked into its budgeting process and during 2010/11 it reviewed the need for every whole time post and potential impact on the business if each post was removed. This highlighted a number of areas where its staffing levels needed immediate review. For example, following a review it has removed four posts in command support and realigned to the focus of the remaining command support staff towards the development of RDS firefighters, in line with organisational need.
54. Grampian Fire and Rescue faces a number of challenges in workforce planning. In particular, it is experiencing difficulties in recruiting RDS firefighters and filling promoted posts, particularly at crew manager level. Difficulties in recruiting crew managers results from both low numbers of firefighters applying for assessment development centres (ADCs) for promotion and a low ADC pass rate. This is heavily influenced by its relatively young workforce profile, where around one third of firefighters are trainees and have yet to complete their three year competency period. It has also been overcoming some of its current difficulties by recruiting civilian staff to fill applicable crew manager posts, such as community safety HMO inspectors and education officers. Beyond this, its *Career Pathway* programme has been designed to provide a more structured approach to developing staff and managers in future, but this is still in its infancy.

55. As a predominantly rural area, Grampian Fire and Rescue relies heavily on its RDS firefighters. Largely due to difficulties in recruiting RDS firefighters, its average staffing level has fallen in recent years, as shown in Exhibit 3. This has meant that, at times, there can be difficulties in maintaining crew levels in some areas. This, combined with increasing staff turnover, means recruitment remains a service priority in the medium to long term.

Exhibit 3: Staffing trends (full time equivalents), 2000-2011



Source: CIPFA

56. RDS firefighter recruitment is the responsibility of individual area commands. To support this, Grampian Fire and Rescue has established a RDS forum group to review and progress a range of RDS issues, including recruitment and training and development. To address its current recruitment difficulties, the service is running a major recruitment campaign in early 2012.
57. Linked to its *Maximising Staff Potential* strategy, Grampian Fire and Rescue's staff appraisal system is becoming more systematic. It is currently in the third year of its annual development review (ADR) process. The ADR process applies to wholtime firefighters and support staff and is being rolled out to all RDS firefighters. However, it does not apply to the chief or deputy chief fire officers. It has had issues in ensuring all staff appraisals are completed, but has overcome this, by assigning all managers an objective within their own to ADR to complete their staff appraisals.
58. Staff appraisals link the performance of individuals with service and business objectives and training needs. During 2011/12, the ADR process is being integrated into the personnel system, with the aim of making it much easier to interrogate and analyse training needs.
59. Firefighter training plans have typically been developed separately by each area command, according to local risks. This flexible local approach is supported corporately by an operational development standards group, which ensures that common standards for operational training are identified and maintained across the service. Grampian Fire and

Rescue's learning and development team has set training standards, which are driven by its development centre. This is a positive development given that it recognises there has been decay in some core skills of its RDS firefighters. Similarly, it is taking a positive step in commissioning a training needs analysis to ensure its 2012/13 training programme is better focused on needs.

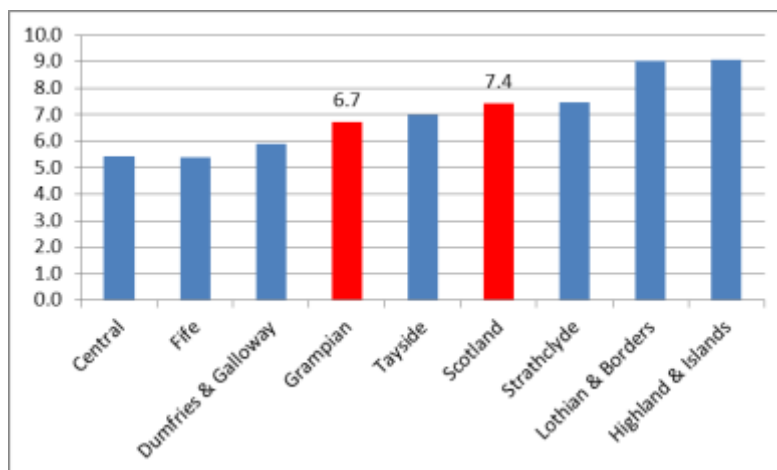
60. Grampian Fire and Rescue has a strong focus on and very good facilities for practical 'hot fire' training. It also carries out a range of training linked to its priority themes. For example, it has demonstrated its expertise in responding to road traffic collisions through performing well in extrication challenges with other UK fire and rescue services.
61. Grampian Fire and Rescue has established a local collaborative training group across local organisations to support the professional development of its senior officers. Through this, three members of Grampian Fire and Rescue have participated in a collaborative leadership pilot scheme linked to SOAs and national objectives. Officers have also participated in a cross sector mentoring scheme that has been running for the last four years. Partners in the mentoring scheme include; Robert Gordon University, Aberdeen City and Aberdeenshire Councils, NHS Grampian, Grampian Police and more recently Aberdeen Council of Voluntary Organisations. They are also looking at collaborative work shadowing to break down organisational barriers and encourage greater partnership working.
62. Grampian Fire and Rescue has a strong focus on health and safety. This is reflected in its investment in a health, safety, environmental and quality (HSEQ) manager and health and safety team to drive health and safety issues forward. It has also adopted and applied its *Safe Person* project. In addition, a dedicated team collect risk information on buildings ensuring that there is a consistent and quality product available for firefighters.
63. The *Safe Person* project has been operating for over three years and is core to Grampian Fire and Rescue's business planning. It provides a baseline of acceptable safe person standards and comprises six key strands, including recruitment, personal protective equipment (PPE), competent supervision, etc., each with its own business plan. It has resulted in significant improvements in firefighter development and competent supervision resulting from the work of the SIT. Due to a number of significant challenges, the full safe person project is yet to be applied to RDS firefighters, although health and safety issues are being considered through an evaluation of the competence of RDS officers.
64. Grampian Fire and Rescue was the only Scottish fire and rescue service to be inspected by the Health and Safety Executive (HSE) in 2010¹. The HSE found that operational personnel are well equipped and trained and that the excellent facilities provided by the development centre, the level of support provided by the command support team to ensure consistency of training delivery at station level, particularly for retained firefighters, were particular strengths. In addition, the 'Infozone' intranet system and IRIS (Incident Risk Information

¹ The Management of Health and Safety in the GB Fire and Rescue Service (Health and Safety Executive, 2010). This report was based on the inspection of eight UK fire and rescue services.

System) have the potential, once fully developed and applied, to be excellent health and safety information communication tools. Grampian Fire and Rescue has responded positively to the HSE's recommendations, and has made good progress in addressing its resulting action plan.

65. The overall level of sickness absence within Grampian Fire and Rescue is below the national average. It recorded an average of 6.7 days per employee in 2010/11, compared with a national average of 7.4 days (Exhibit 4). Within this overall picture, absence amongst firefighters has fallen by 20 per cent over the past two years and Grampian Fire and Rescue currently has the second lowest level of recorded absence for firefighters amongst Scottish fire and rescue services. It has achieved this success by more closely monitoring and reviewing the effectiveness of its policy during the past couple of years and through early intervention of occupational health services and absence prevention through services such as counselling.

Exhibit 4: Average number of sickness absence days per employee, 2010/11



Source: Audit Scotland Statutory Performance Indicators

Asset management

Improving asset management has been an objective for Grampian Fire and Rescue in recent years. It has recently formalised its approach to procuring, maintaining and managing assets through its asset management strategy and supported this with an asset management system. It has commissioned independent consultants to address deficiencies in information and communications technology (ICT).

66. Grampian Fire and Rescue has recognised the need for a more systematic approach to managing its assets. To guide its approach to the procurement, lifespan and maintenance of assets, the board approved an asset management strategy in September 2011. Strategically, its management of assets is also influenced by its participation in the North East Public Sector Property Group, along with its partners in NHS Grampian, Grampian Police and the local councils.

67. It has also strengthened its approach to managing its assets through the implementation of an asset management system and the appointment of a facilities manager. The asset management system provides improved information on property and vehicles that can be used to inform its budget setting process more effectively. Grampian Fire and Rescue carries out a five-year rolling programme of asset valuations for accounting purposes and is now working to mirror this with condition surveys to make sure its assets are fit for purpose and that its backlog maintenance can be more reliably identified and managed.
68. In 2010, Grampian Fire and Rescue identified a range of deficiencies in its ICT systems and infrastructure, including, insufficient broadband width for providing rural access to corporate systems and e-learning tools. These deficiencies had arisen due to weaknesses in the way the service managed its ICT service. To address this, in 2011 it commissioned an independent review from ICT consultants. The review has resulted in a prioritised improvement plan and the service is investing £195,000 during 2011/12 to addressing all the necessary improvements. The review has also recommended a robust ICT governance model which Grampian Fire and Rescue has chosen not to implement due to impending changes as a consequence of structural reform across the Scottish fire and rescue services. It is however, in the process of introducing some changes to governance in the interim to ensure the benefits of the investment are realised and reliable ICT is maintained as it moves towards a the future single service.
69. Grampian Fire and Rescue has been investing in providing its fire crews with far better risk information on local buildings. It has used the efficiency savings to fund risk-based inspections of buildings, and to date over 1,000 have been carried out. This risk information can be provided electronically to crews through the mobile data terminals on Grampian Fire and Rescue's fire appliances.

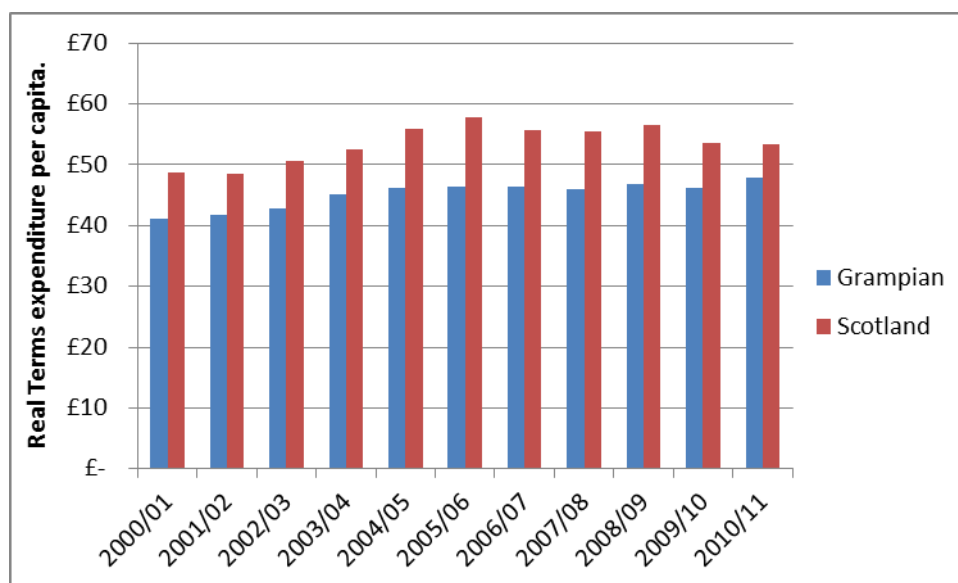
Service performance

Grampian Fire and Rescue provides an effective and relatively low cost emergency response service. Its work has contributed towards Grampian experiencing a below average number of primary fires, the lowest level of secondary fires in Scotland and a significant decline in road traffic accidents. However, it needs to strengthen its focus on prevention. It works well with its partners in delivering prevention initiatives but carries out the lowest proportion of home fire safety visits and statutory fire safety audits of any Scottish fire and rescue service. Grampian Fire and Rescue records the highest level of fire related casualties, indicating the potential for its prevention activity to have a much greater impact.

Service costs

Grampian Fire and Rescue's operating costs are below the Scottish average but, in real terms, have increased by around three per cent over the past five years.

70. Grampian Fire and Rescue's operating costs have consistently been below the Scottish average over the past ten years (Exhibit 5). In 2010/11, excluding pension costs, it spent £48 per head of population, well below the Scottish average of £53. The bulk of operating costs are made up of employee costs and Grampian Fire and Rescue has consistently had the lowest employee related expenditure per head of population over the past decade.
71. Despite it having relatively low operating costs, Grampian Fire and Rescue's real term costs per head of population have increased by around three per cent since 2005/06, compared with an average decline of 7.5 per cent nationally. It is the only Scottish fire and rescue service to experience a real terms increase over this period. Much of the cost increases have been due the building and running of a new fire station on North Anderson Drive without yet disposing of the old station, an additional investment of £0.5 million in ICT and increased training costs.

Exhibit 5: Real terms costs per head of population, 2000/01 to 2010/11

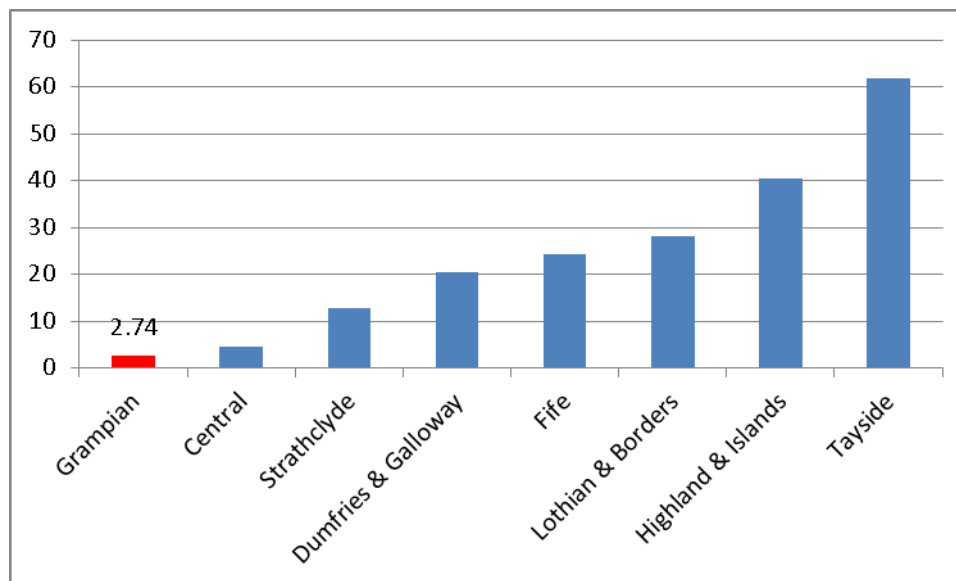
Source: CIPFA data adjusted by HM Treasury GDP deflator

Prevention

Risk reduction through prevention activity is a priority in Grampian Fire and Rescue's vision. It works well with its partners in delivering prevention initiatives, but relative to its size, it carries out the lowest number of home fire safety visits and statutory fire safety audits of any Scottish fire and rescue service. Its number of home fire safety visits is continuing to fall, although it is focusing on targeting its activity towards high risk areas.

72. A key feature of the Fire (Scotland) Act 2005 and the introduction of IRMP was an increased emphasis on preventative work. A key challenge in targeting prevention activity for all fire and rescue services is sharing information with partners to identify those people at most risk from fire. Grampian Fire and Rescue has been developing information sharing protocols with community safety partners and is beginning to get better information on people at greatest risk, particularly through tactical and coordination groups and single shared risk assessments. However, in practice, recent fire fatalities were people known to partner agencies, highlighting that information sharing remains an area to be strengthened further to better target prevention activity.
73. Although risk reduction through fire prevention activity is a priority in delivering its vision, Grampian Fire and Rescue carries out the lowest number of home fire safety visits (HFSVs) in Scotland (Exhibit 6). It recognises that it carries out a comparably low number of HFSVs and attributes this primarily to trying to strike a balance between HFSVs, its range of other prevention activities and the increased amount of firefighter time taken up in completing its three year apprenticeship and training under the *Safe Person* project.

Exhibit 6: Home fire safety visits per 1,000 dwellings, 2009/10

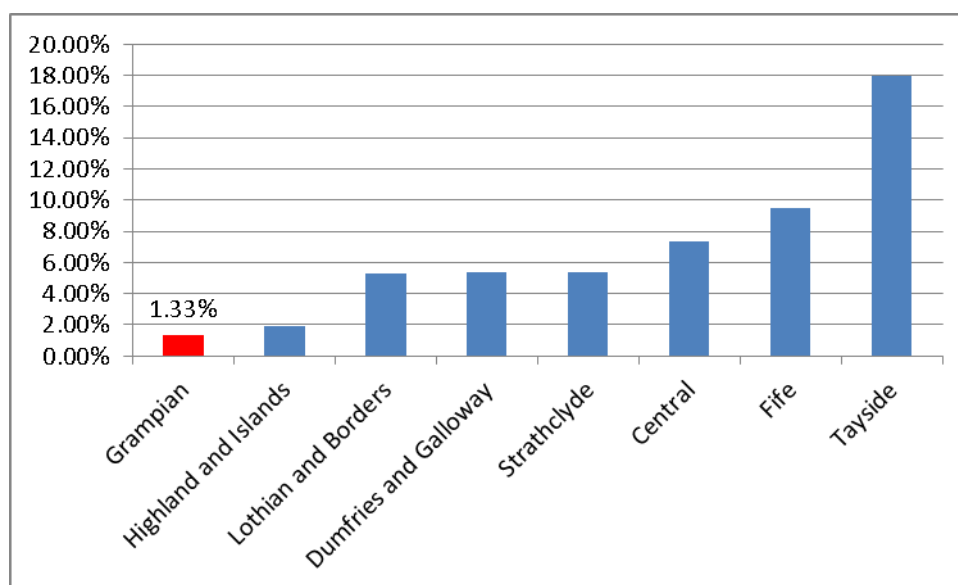


Source: CFOAS Performance Indicators 2009/10

74. Grampian Fire and Rescue's number of HFSVs have declined by approximately three quarters over the past three years. It believes that delivering fewer, but better targeted HFSVs, along with a range of other risk reduction campaigns, provides better use of its resources. This is in recognition that much of its HFSV activity has been reactive and delivered within low risk areas and to low risk individuals and therefore unlikely to deliver best value for money. Whilst targeting effort towards risk is important, recent fire fatalities in Grampian have occurred in areas assessed as low risk, highlighting the importance of continuing to do at least some HFSVs in low risk areas.
75. Although its number of HFSVs is relatively low, the Scottish Government's fire statistics shows that within Grampian, smoke alarms were present and successfully activated in just over half of all primary dwelling fires. This was the second highest level in Scotland during 2010/11. However, smoke alarms were not present in around 38 per cent of all primary dwelling fires, higher than the Scotland average. Combined with the fact that accidental dwelling fires and casualty numbers have remained consistently above the national average, this highlights the need for Grampian Fire and Rescue to increase its focus on preventative work.
76. In July 2010, it developed a targeted policy for HFSVs, but at the time of our audit this had yet to be rolled out across the service. To deliver this policy it has introduced a home fire safety visit coordinator and is aligning the activity of individual watches to specific neighbourhoods. It is also supporting implementation of the policy with lifestyle information from Active Phoenix to help target effort and a revised policy for "hot strikes" in surrounding properties immediately after a fire has occurred. The emphasis of its new policy is on reducing deaths rather than on the number of HFSVs it carries out and this is reflected in the fact that it has not set HFSV targets.

77. Statutory fire safety audits of non-domestic premises are an important part of preventative work. Landlords and business owners are responsible for ensuring fire safety in their premises through, for example, carrying out self-assessments. However, a programme of fire audits is essential to provide guidance and to help enforce fire safety standards. In 2010/11 Grampian Fire and Rescue carried out 179 statutory fire audits on non-domestic premises, a decline of over 25 per cent from the previous year. This was the lowest number of any fire and rescue service and also equated to the lowest proportion of known premises having been audited (Exhibit 7). Despite its low number of statutory fire audits, it recorded only seven fires in non-domestic properties during 2010/11. Grampian Fire and Rescue believes that based on outcomes, its programme of audits is proportionate to risk.

Exhibit 7: Percentage of non-domestic properties subject to fire safety audits, 2010/11



Source: Scottish Government Statistical Bulletin

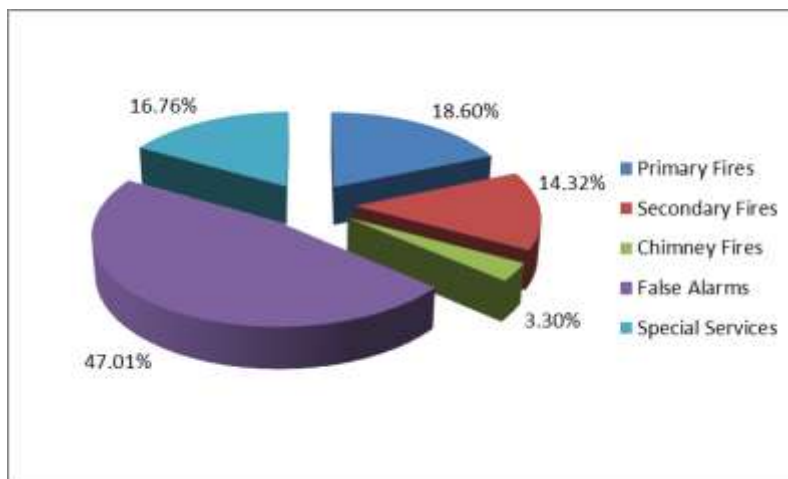
78. Grampian Fire and Rescue also works with its local partners on a broader range of preventative work. Beyond some of the more common initiatives across fire and rescue services, such as *Safe Drive*, *Stay Alive*, it has also worked on a number of good practice initiatives. In particular, this includes work that has significantly reduced wilful secondary fires in the 'Gramps' area of the city and reduced road traffic collisions, which is a top priority in the Aberdeenshire area. For example, in relation to preventing road traffic collisions, it had seconded three crew managers to Grampian Police's dedicated Road Safety Grampian unit. This has brought significant benefits in exchanging information and intelligence in developing local strategies and its success has allowed Grampian Fire and Rescue to reduce its input to one seconded officer. Grampian Fire and Rescue has also participated in Operation Zenith, a five year partnership initiative launched in April 2010 with the core aim of reducing motorcycle casualties on roads within the Grampian region. Operation Zenith made contact with around 4,000 motorcycle riders during the course of the first year and helped bring about a 22 per cent reduction in fatal and serious motorcycle collisions, resulting in it winning five national awards.

Emergency response

In line with national trends, there has been a long-term decline in the number of fires in Grampian. The area experiences a below average number of primary fires and the lowest level of secondary fires in Scotland. Grampian Fire and Rescue records the highest level of fire casualties, indicating the potential for its prevention activity to have a much greater impact. Its work has contributed towards a significant decline in road traffic accidents, although these still remain high. False alarms have declined over time and are below the average level, although they still account for almost half of all calls. It meets its published emergency response standards in almost all cases and its response times are in line with other fire and rescue services.

79. In 2010/11, Grampian Fire and Rescue responded to just under 6,500 incidents. A significantly higher proportion of these related to primary fires (those in buildings, vehicles or involving casualties) and 'special services' (primarily road traffic collisions and flooding) compared with the Scottish average. However, the proportion due to secondary fires (typically outdoor fires in heathland, rubbish bins or derelict buildings) was the lowest in Scotland. Just under half of its emergency responses related to false alarms (Exhibit 8).

Exhibit 8: Analysis of emergency incidents in Grampian, 2010/11



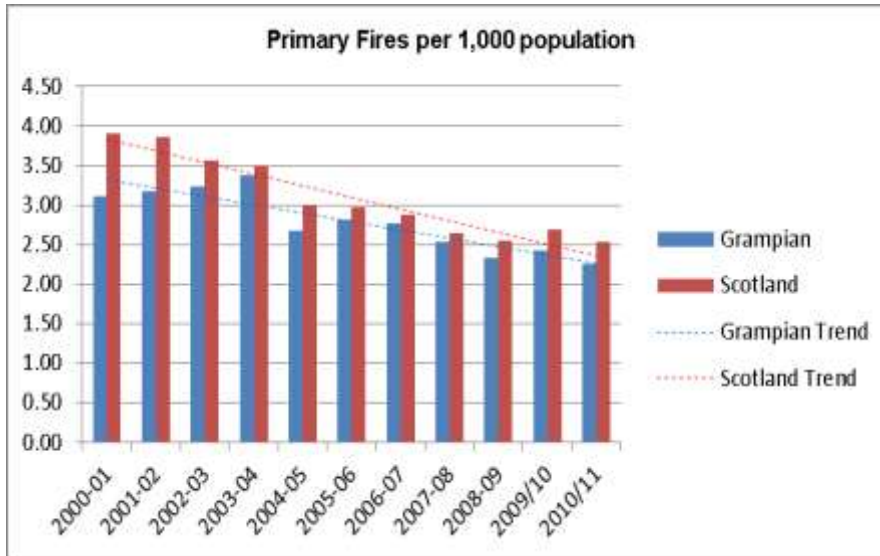
Source: Scottish Government Statistical Bulletin

Fires and casualties

80. The number of fires within Grampian relative to population has consistently been below the Scottish average. In line with national trends over the past decade, however, there has continued to be significant falls in the number of primary and secondary fires (Exhibits 9 and 10). As may be expected from Grampian starting at a relatively low level, primary fires have fallen at a slower rate than the Scottish average over the last decade. In 2010/11, there were approximately 2.3 primary fires per 1,000 population, slightly below the national average.

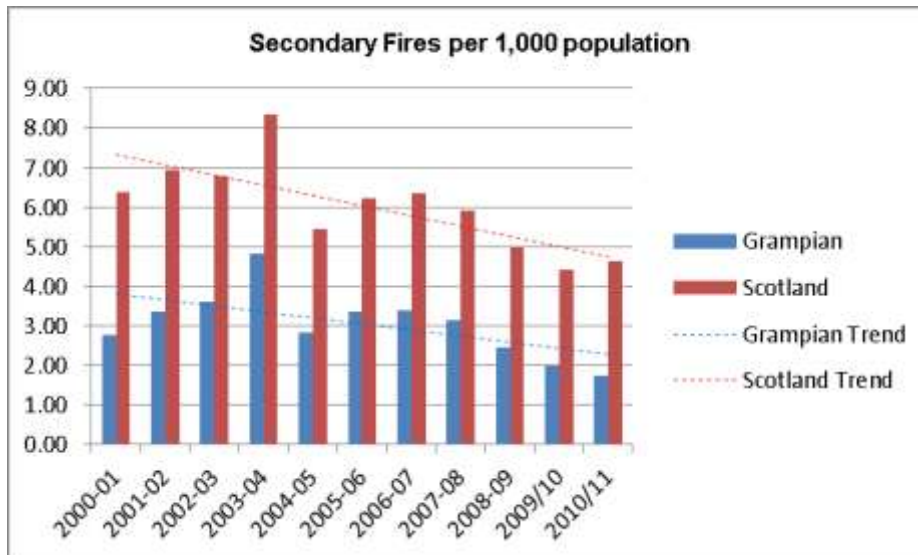
- 81. Secondary fires have declined by over 34 per cent during the last decade, well above the national decline of around 26 per cent and one of the fastest rates in Scotland. Grampian's incidence of secondary fires of 1.7 per 1,000 population is the lowest in Scotland and less than half the national average.

Exhibit 9



Source: Audit Scotland

Exhibit 10

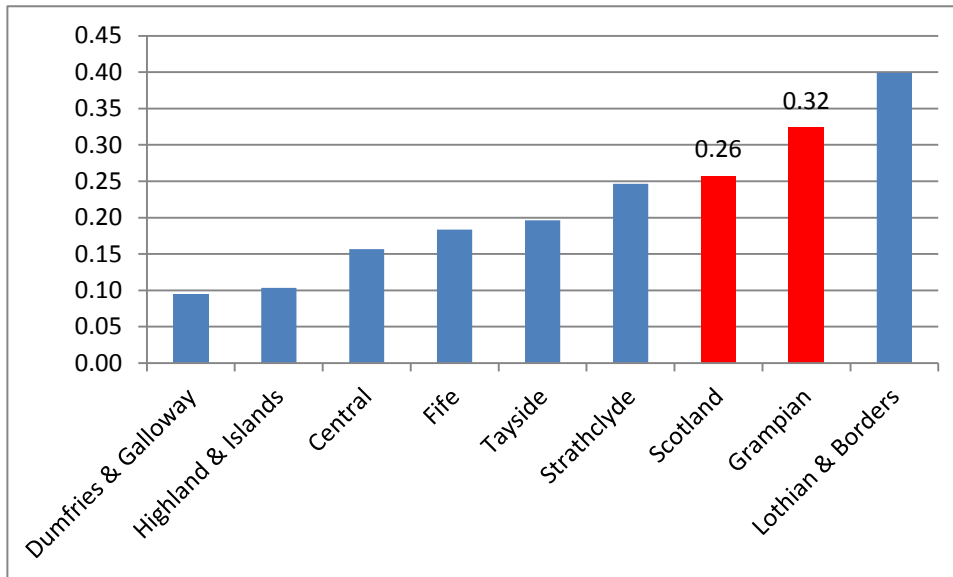


Source: Audit Scotland

- 82. Casualty rates per head of population in Grampian are one of the highest in Scotland (Exhibit 11). Since 2009/10, the Scottish government changed the definitions used to compile casualty statistics. It is therefore difficult to compare current trends with figures from earlier years. In 2010/11, there were 0.32 fatal and non-fatal casualties per 1,000

population in Grampian, the second highest level in Scotland and noticeably above the national average of 0.26 casualties per 1,000 population. This high level of casualties may in part be influenced by local recording practices, but does indicate the scope for Grampian Fire and Rescue to increase the impact of preventative work such as home fire safety visits.

Exhibit 11: Total casualties per 1,000 population in 2010/11



Source: Scottish Government Statistical Bulletin

Special services

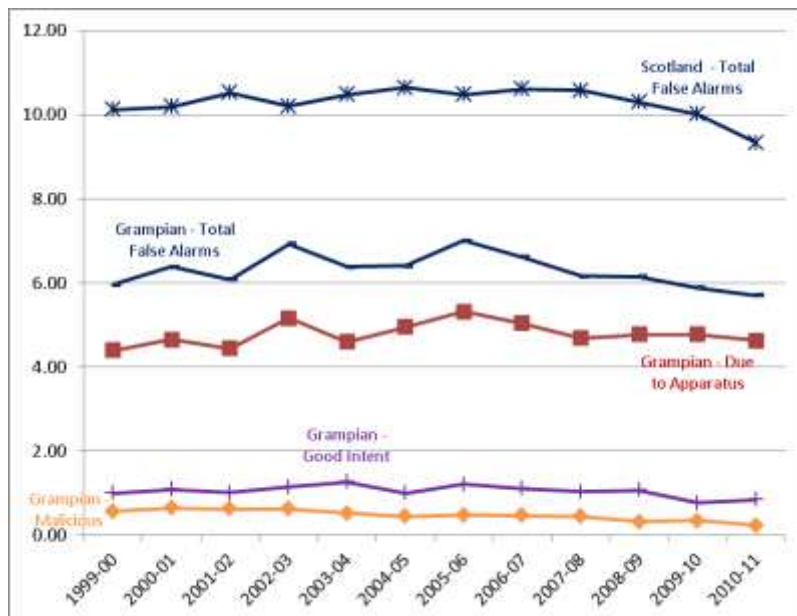
83. Grampian Fire and Rescue also deals with a high number of 'special service incidents', mainly flooding and road traffic collisions. These represent around 17 per cent of its emergency responses. There are no performance measures available locally or nationally to assess the standard of this work, although the number of road traffic collisions has fallen in recent years.

False alarms

84. False alarms can be caused by a range of factors, such as malicious hoax calls or faulty automatic alarms. They account for around 47 per cent of Grampian Fire and Rescue's emergency calls. This is below the national average of 49 per cent, but still represents a significant use of resources on non-productive work and, perhaps more importantly, means that there may be delays in responding to genuine emergencies.
85. Grampian Fire and Rescue's overall level of false alarms is well below the Scottish average (Exhibit 12). In 2010/1, it dealt with 3,144 false alarms, most of which were generated by AFAs. Grampian Fire and Rescue has however been successful in reducing the overall number of false alarms, receiving around 200 less than it did in 2000/01. This represents a

decline of 6.2 per cent over the last decade, broadly similar to the average decline of 6.5 per cent nationally.

Exhibit 12: False alarms per 1,000 population



Source: Scottish Government Statistical Bulletin

- 86. In dealing with its decreasing but still significant number of false alarms, Grampian Fire and Rescue is reviewing its predetermined response to AFAs as part of its demand reduction measures outlined in its IRMP year one action plan. This review has yet to be concluded.

Emergency response times

- 87. The speed of emergency response and number of vehicles and firefighters mobilised can be important factors in securing positive fire and rescue outcomes. Prior to 2005, standards of emergency response were set out in the National Standards of Fire Cover, with standards varying according to risk factors associated with different types of buildings. With the introduction of IRMP, these national standards were withdrawn. This allows individual fire and rescue authorities to determine their own speed and level of response to meet the specific level of risks identified in their IRMP.
- 88. Grampian Fire and Rescue is one of only three services in Scotland to have established its own local risk-based set of response standards (Exhibit 13).

Exhibit 13: Emergency response standards

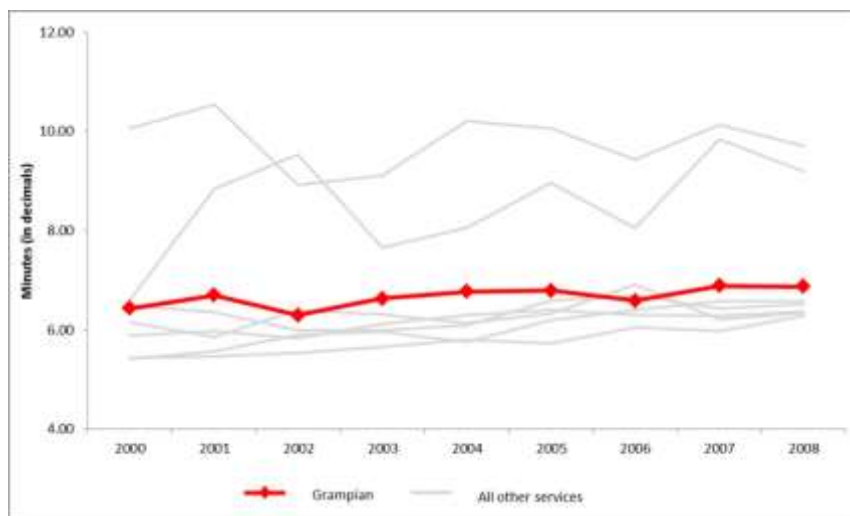
All Critical Incidents (Life Risk)		
Risk Category	Response Standards for 1 st Fire Engine in minutes	Response Standards for 2 nd Fire Engine in minutes
Very High	Less than 5	Less than 8
High	Less than 8	Less than 11
Medium	Less than 15	Less than 18
Low	Less than 20	Less than 23
Very Low	Less than 25	Less than 28

Where a third fire engine is required as part of the attendance, the response standard for this will be three minutes or less after the standard set for that of the second fire engine.

Source: Grampian Fire and Rescue

89. Grampian Fire and Rescue's management team monitor its performance in meeting these local response standards on a quarterly basis. Its latest data for the second quarter of 2011/12 shows that across all risk categories it is currently meeting its response time for the first engine in 97 per cent of incidents, for the second engine in 99 per cent of incidents and for a third engine in 97 per cent of incidents. Grampian Fire and Rescue plans to report its quarterly performance data against the response standards to the scrutiny committee and annually to the joint board.
90. As part of its 2011 report, *Review of the Implementation and Impact of Integrated Risk Management Planning in Scottish Fire and Rescue Services*, the Scottish Fire and Rescue Advisory Unit (SFRAU), tested a national sample of response times for dwelling fires. This showed that Grampian Fire and Rescue's average response times for primary dwelling fires have remained consistent over the past decade and are also broadly in line with the national pattern (Exhibit 14).

Exhibit 14: Average response times for primary dwelling fires



Source: *Review of the Implementation and Impact of Integrated Risk Management Planning in Scottish Fire and Rescue Services (SFRAU 2009)*

Improvement agenda

Strategic planning

- Station plans should be embedded as a management tool that more clearly address local risks and the local delivery of Grampian Fire and Rescue's key strategies.

Role of members

- To improve their strategic leadership of the organisation and scrutiny function, Grampian Joint Fire and Rescue Board members need to address key areas for improvement identified in their PSIF self-evaluation, including the need for members to participate in more effective continued professional development (CPD).
- Grampian Joint Fire and Rescue Board members need to play a more proactive role in influencing and coordinating Grampian Fire and Rescue's work with partners at a strategic level.

Performance management

- Performance information needs provide a clear picture of performance to improve transparency for members and can be further enhanced with the inclusion of comparative data.

Use of resources

- Staff appraisals need to be extended to all staff.
- Taking into account the current programme of fire and rescue reform, Grampian Fire and Rescue should implement the relevant recommendations from its independent review of ICT.

Service delivery

- The service needs to review the preventative work it carries out to ensure that it is having the greatest possible impact.

ACCOUNTS COMMISSION

MEETING 16 FEBRUARY 2012

COVER NOTE BY SECRETARY AND BUSINESS MANAGER

BEST VALUE AUDIT: HIGHLANDS AND ISLANDS FIRE AND RESCUE

Purpose

1. The purpose of this paper is to introduce the report of the Best Value audit of Highlands and Islands Fire and Rescue. The Commission is invited to consider the report and decide which of the options for action it wishes to take.

Background

2. At its meeting in April this year, the Accounts Commission approved a programme of Best Value audits to be carried out on each of the eight Scottish fire and rescue services and authorities. These reports are being prepared by the Controller of Audit in accordance with Section 102(1) of the Local Government (Scotland) Act 1973. It was agreed that these audits would be more targeted and focused than other Best Value audits, with an emphasis on local accountability. At its last meeting in November, the Commission noted an update on the progress of the audit programme, and noted a timetable for the programme of audits, including a national overview report at the end of the eight audits.

The report

3. This report and that for Grampian Fire and Rescue are the fifth and sixth in the audit programme that comprises of eight audits. It is also being sent to the Clerk of the Joint Fire and Rescue Board, which is comprised of elected members from the four constituent councils – Highland, Eilean Siar, Orkney and Shetland. The Clerk of the Board is required to supply a copy of the report to each member of the Board and to make additional copies available for public inspection.
4. The legislation provides that, on receipt of a Controller of Audit report, the Accounts Commission may do, in any order, all or any of the following, or none of them:
 - (a) Direct the Controller of Audit to carry out further investigations;
 - (b) Hold a hearing;
 - (c) State its findings.

Consideration of the report

5. The Controller of Audit and members of the audit team from Audit Scotland will be present at the Commission meeting to answer questions.
6. If the Commission considers that it requires further information to proceed with its consideration of the report, it may direct the Controller of Audit to carry out further investigations. If the Commission is satisfied with the information which it has, it may wish to proceed to make findings unless members consider that a hearing is necessary.

7. The circumstances in which the Commission may wish to hold a hearing are likely to include:
 - where the Commission has serious concerns about the performance of a local authority as demonstrated in the audit report; or
 - where there is a strong difference of opinion between the Controller of Audit and the local authority.
8. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make enforcement directions requiring authorities to take such action as is specified in the Direction.

Media

9. Once the report is sent to the fire committee and the fire and rescue service it is effectively in the public domain and may attract media interest. As with council Best Value audits, it is not intended that any media comment should be made by the Commission until it has deliberated on the report.

Conclusion

10. The Commission is invited to:
 - consider the report by the Controller of Audit on the Best Value audit of Highlands and Islands Fire and Rescue; and
 - decide how it wishes to proceed.

Paul Reilly
Secretary and Business Manager
3 February 2012

Audit of Best Value

Highlands and Islands

Fire and Rescue

A report by the Controller of Audit for the Accounts Commission
February 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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Commission findings

1. text

The audit of Best Value

1. Local authorities in Scotland, including fire and rescue, have a statutory duty to deliver best value in their services. This requires them to establish management arrangements, aimed at securing continuous improvements in their performance while maintaining an appropriate balance between quality and cost.
2. Since 2004, Audit Scotland has carried out audits of Best Value in each of the 32 councils in Scotland and in most police authorities. These audits have helped to improve performance and accountability in local government and have brought unsatisfactory performance to the public's attention through the public reporting process.
3. The responsibilities of fire and rescue services have changed significantly over the past decade. In 2003, all Scottish services were required to produce Integrated Risk Management Plans (IRMP), identifying the level of local risks and determining the appropriate allocation of resources. The Fire (Scotland) Act 2005 introduced further changes, placing a strong emphasis on prevention rather than simply emergency response.
4. Some aspects of Best Value in Fire and Rescue have been covered in earlier Accounts Commission reports, particularly the *Scottish Fire Service: verification of the progress of modernisation, published in 2004*, and the *Review of service reform in Scottish fire and rescue authorities*, published in 2007. So far, however, there has not been any dedicated audit, covering all key aspects of Best Value.
5. Following a formal consultation with stakeholders in late 2010, the Accounts Commission decided that the audit of Best Value should be extended to fire and rescue. With the Scottish Government signalling a potential restructuring of the services, however, it was recognised that the audit needed to be proportionate, seeking to identify the key strengths which should be retained in a future structure and any significant weaknesses which needed to be resolved. The Scottish Government has subsequently announced its commitment to deliver a single fire and rescue service for Scotland, with details on the Police and Fire Reform Bill (Scotland) 2012 published in January 2012.
6. During 2011, audits were carried out at each of the eight Scottish fire and rescue services and authorities. These are seeking to focus on core issues, such as strategic planning, the role of members, financial management, and service performance and costs. These local reports, which will support improvement and local accountability, will be followed by the publication of a national overview report in 2012. A number of best value issues, including equalities, sustainability and procurement have not been covered directly in the scope of the local audit work. These, along with a range of other issues, will be covered in the national overview report.
7. We carried out the Best Value audit of Highlands and Islands Fire and Rescue (H&IFR) during September 2011. We gratefully acknowledge the co-operation and assistance provided to the audit team by the Chief Fire Officer, Trevor Johnson; the Chair of the Highlands and Islands Joint Fire Board, Councillor Richard Durham, and all other elected members and staff involved.

Summary

8. The Highlands and Islands area provides a range of significant challenges for the provision of a fire and rescue service. While the number of fires and casualties are amongst the lowest in Scotland, the scale of the area covered and the remoteness of many of its communities affect many aspects of service performance and delivery. For example, it largely relies on part time Retained Duty System (RDS) firefighters. Almost inevitably, response times are significantly longer than in most other parts of the country. At the same time, the cost per head of population is the highest in Scotland.
9. There are serious concerns about the sustainability of the fire cover model that has developed within Highlands and Islands. This differs from the approach taken by other fire and rescue services, with resources spread widely across remote communities rather than concentrated on areas of greatest risk. Elements of IRMP have been in place since 2004. But the current deployment of one wholetime station and 95 part-time RDS stations, supported by a further 23 community response units, reflects historic factors rather than a strategic use of IRMP. Preventative work, such as home fire safety visits, has been carried out in significant quantities but has not been used in an integrated way to influence the future deployment of stations or firefighters. This means that there is not a clear matching of resources to community risk.
10. In earlier years, H&IFR has suffered from poor leadership, at both officer and elected member level. A major expansion of the service was carried out in 2003/04, with the reclassification of sixty-one volunteer auxilliary units, situated in some of the most remote parts of the country, to full RDS stations. This was not based on objective risk assessments. There was also insufficient consideration of the implications of this decision in terms of its sustainability and impact on service delivery. Significant capital investment has been needed to upgrade and equip these fire stations. It has had some success in attracting additional capital funding from the Scottish Government, building 30 new stations and investing in new fire engines. However, it still has a capital backlog of £17 million, with a further 35 stations identified as being in need of upgrading. In addition, this capital programme is not directly driven by community risk with, in some cases, investment proposed for stations with low activity levels. There is no evidence to show that this represents the best use of resources.
11. More fundamentally, however, the major expansion of its workforce, almost doubling in size in 2004, has had major consequences on a wide range of operational issues, such as firefighter training, health and safety, and communications. The service has had limited success in addressing these issues. As a result, there are significant health and safety risks in relation to firefighters. Since 2010, management capacity has increasingly focussed on the need to improve the training of firefighters. There has, for example, been a programme of catch-up training on breathing apparatus and additional funding of £1 million has been approved to support retained firefighter and incident command training. However, the drive to address the fundamental weaknesses in workforce issues have been hindered by the limited number of training staff and the logistics of supporting firefighters dispersed over a wide area. ICT systems are not adequate to properly support remote training and there is a lack of operational assurance processes to measure the impact of training. This hinders the maintenance of consistent standards across the service.

12. There is clear evidence of a marked improvement, in recent years, in the leadership being provided by senior officers. There have been significant improvements in performance management systems and the range of information provided to members. Since 2010, the last two chief fire officers (CFOs) have developed a methodology to identify the less viable stations and put forward some limited proposals to change their role. However, these moves have been constrained by a clear desire from elected members to maintain the existing range of fire stations. Discussions on the sustainability of individual stations have tended to focus on the difficulties in recruiting firefighters rather than community risk. Even where there are clear recruitment difficulties, decisions have been postponed.
13. More recently, however, the head of the Scottish Government's Scottish Fire and Rescue Advisory Unit (SFRAU) has expressed the need for greater urgency, with serious concerns about the fire cover model used in the Highlands and Islands and its compatibility with the approach taken in other parts of the country. This need to develop the service along nationally recognised lines led to the creation of a peer support team, formed from senior officers from other Scottish fire and rescue services. This team has identified a wide range of major shortcomings within H&IFR in areas such as staff training, quality assurance processes and health and safety. Essentially, it has concluded that the service's resources are spread too thinly over too many locations and that the current fire cover model needs to be urgently addressed.
14. There are also signs of a growing awareness amongst elected members on the need to reconsider the board's strategic approach. They have shown a willingness to recognise the challenges faced by H&IFR and have expressed concerns at the scale of the issues now being highlighted. This indicates that the standard of member scrutiny has been poor in previous years, but there is a growing understanding of the need for change. Substantial additional resources would be required to maintain the current level of stations and ensure that statutory health and safety standards are met. More fundamentally, there is a need to ensure that the deployment of resources matches community risk. However, given the prospect of a national fire and rescue service being established by 2013, doubts remain about the appetite of members to now take these difficult decisions.

Context

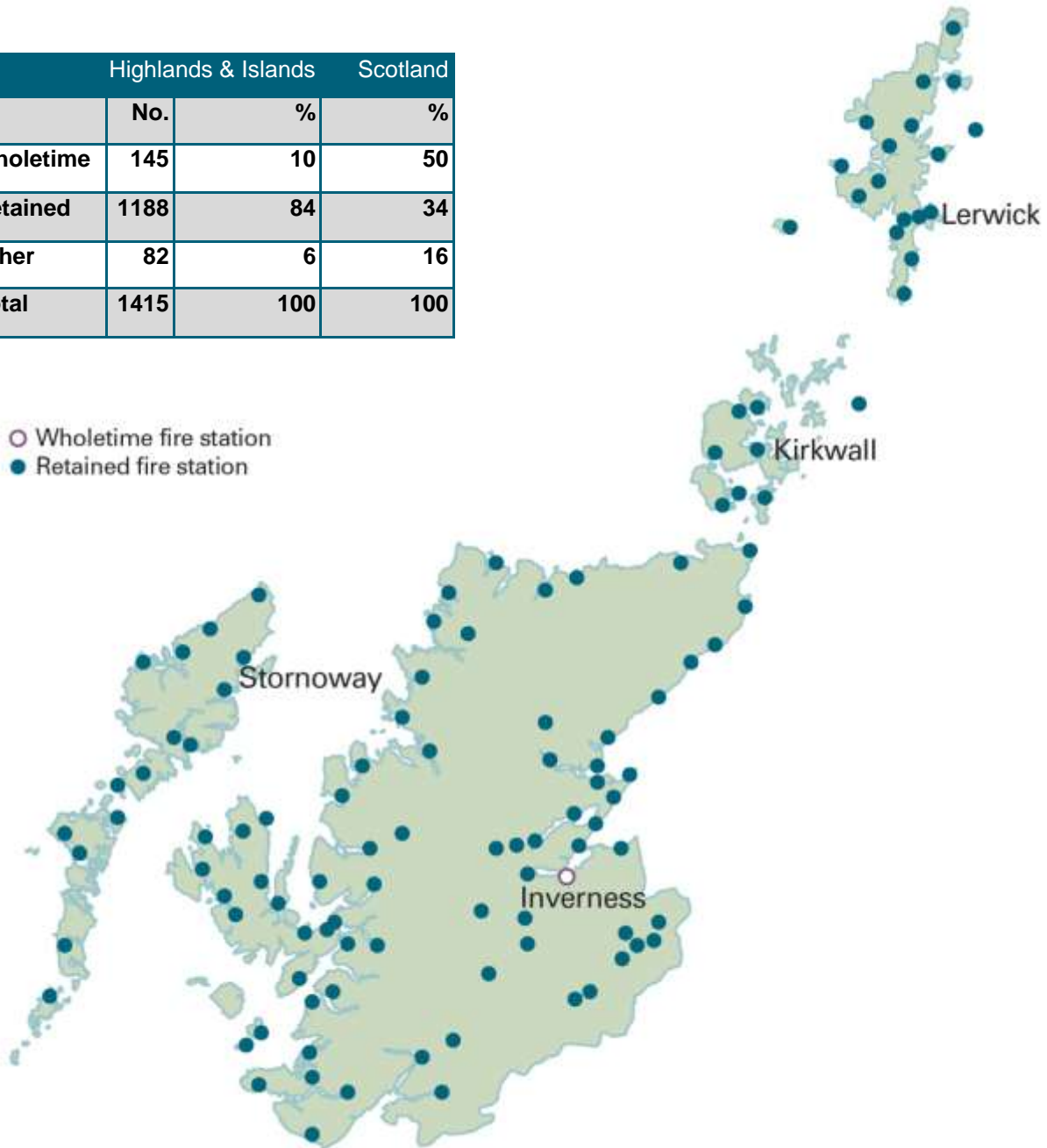
15. Highlands and Islands includes the local authority areas of the Highlands, Comhairle nan Eilean Siar (Western Isles), Orkney and Shetland. It covers the largest land area of the eight Scottish fire and rescue services at 31,187 Km². The area is predominantly rural with, many islands, rugged coastlines, hilly and mountainous terrain. This presents many challenges for delivery of a fire and rescue service.
16. The population of Highlands and Islands is a little over 290,300. The population density is low, with an average of 9.3 people per Km² but with a significant proportion of people living in towns, the population density is much lower in a large proportion of the area. The main population settlement is Inverness (56,660), with a number of other towns of between five and ten thousand including, Fort William, Nairn, Thurso, Wick, Kirkwall, Lerwick, Stornoway, and Alesness.
17. The population is projected to increase slightly but also to increase in the proportion that are over 65 at a slightly higher rate than the Scottish average. Older people are a higher risk group and particularly with the predominantly rural nature of the area and high levels of inaccessibility this also presents further potential risk issues for service demand and capacity for delivery.
18. H&IFR is governed by a joint fire and rescue board that comprises 24 councillors. Sixteen of the members are Highland Council members, four from the Western Isles, two Orkney and two Shetland Councils. The joint board meets four times per year, and is supported by a number of subcommittees including a Best Value and Audit Working group and Service Improvement working group. The current joint board was established in June 2007.
19. H&IFR delivers its services from one whole-time station in Inverness, 95 retained stations and 23 Community Response Units ([Exhibit 1](#)). The service spent £21.6 million in 2010/11 on its running costs. It employs around 1,400 staff. Of these, around 82 per cent are retained firefighters notably higher than the Scottish average of 34 per cent. It has a fleet of 142 emergency response vehicles, ranging from community response vehicles, standard water tenders with ladders, tenders with additional road traffic collision equipment, through to an aerial ladder platforms and a control unit.
20. In the 1990s and until 2004/05 the service had one station in Inverness, crewed by whole-time staff, supported by a network of 36 equipped RDS stations. These stations in turn were supported by a large number of volunteer auxiliary units which operated from basic sheds with minimal equipment, transported to a fire in the volunteers own vehicles. Many of these were introduced on community request rather than because of identified risk.
21. In 1999/2000 the service had an ongoing programme of improvement of the retained and auxiliary units. By 2003/04, at the time of developing the initial IRMP, the joint board at that time were considering the viability of the arrangements. In discussions with the service and board, Her Majesty's Chief Inspector of Fire Services (HMCIFS) suggested that due to the non-strategic manner in which volunteer stations had developed, a significant proportion may not be required. However, the joint board agreed the service's infrastructure would comprise one whole-time, 95 RDS stations (with 61 voluntary units upgrade to RDS stations) to provide the primary strategic

emergency response and 32 non-strategic Community Response Units (CRUs) to undertake a range of support roles.

22. Since 2005/06 the joint board and service have been upgrading the stations, to provide suitable equipment, vehicles and premises. In order to help achieve this, the Scottish Government has provided enhanced levels of capital funding. Thirty new stations have been put in place to date but there is a substantial way to go with this programme. Following the decision to move to the current model, in 2006/07 the service began a phased review of all of the stations.
23. There have been a number of notable changes in leadership in recent years.
 - During 2007/08 the CFO, who had been in post since 1999, was absent for a significant period and the deputy CFO took an acting CFO role.
 - The CFO resigned as of January 2010, replaced by an interim CFO on secondment from Dumfries and Galloway Fire and Rescue Service.
 - In May 2011 the interim CFO retired and the current CFO took up post.
24. Since the appointment of the interim CFO in January 2010 there has been a notable change in leadership and focus on improvement, referenced throughout this report. This has been built on by the current CFO.
25. During 2011 there has been a management restructure and a restructure of the districts from 11 to four. The new fire cover model has been presented to the joint board and dialogue with the joint board about the challenges the service face have become more transparent.
26. Since his appointment the current CFO has also engaged in discussions with SFRAU on progress with improvement priorities, the fire cover model and internal capacity.
27. In November 2011, to help address the significant challenges identified, the joint board agreed to external support for the CFO from a peer support team.

Exhibit 1: Staffing and fire stations in Highlands and Islands

	Highlands & Islands		Scotland
	No.	%	%
Wholetime	145	10	50
Retained	1188	84	34
Other	82	6	16
Total	1415	100	100



Source: Map - SFRAU

Staffing data - CIPFA Statistical Returns (as at 31st March 2011)

Governance and management

Vision and strategic direction

For a number of years there has been poor leadership and governance of the H&IFR Service by both the joint board and the senior management team. The lack of leadership and direction over time has meant that many service arrangements need improvement and the service delivery model is now unsustainable. An improvement in management over the past two years is evident but there is insufficient resources and capacity within the organisation to manage the significant improvement needed in many of its arrangements at a sufficient pace. A good deal of work has been undertaken to develop a new model for delivery of services across the area but SFRAU have expressed concerns about the safety and efficacy of the model.

28. H&IFR sets out its strategic vision in its service improvement plan (SIP). The service annually produces a three-year SIP. In the 2011/12 - 2013/14 plan, the service has revised and refined its mission statement to 'helping make the Highlands and Islands a safer and better place to live, work and visit'. This mission is supported by four strategic aims and nine strategic objectives ([Exhibit 2](#)). The objectives reflect areas where the service recognises it needs to make improvements and other challenges it needs to address.

Exhibit 2: Strategic aims and objectives

Aims:

- **Prevention:** Engaging with our communities to inform and educate people in how to reduce the risk of fires and other emergencies.
- **People:** Providing the support for a well equipped, skilled, and motivated workforce whose composition and purpose reflects the risks and diversity of the communities we serve.
- **Response:** Planning and preparing for emergencies that may happen, and making a high quality, effective and resilient response when emergencies arise.
- **Resource:** Managing our resources efficiently and effectively, ensuring value for money, demonstrating public accountability, and championing environmental responsibility.

Objectives:

- Verification of our Operational Capability
- Effective Management of our Retained Availability
- Undertake a Review of Training
- Define our Fire Cover Model
- Review our Asset Management Strategy
- Improve Communication within the Service
- Review our IT Strategy
- Undertake a Review of our Key Documentation
- Prepare for the Government's Spending Review Outcomes

Source: Highlands and Islands Fire and Rescue

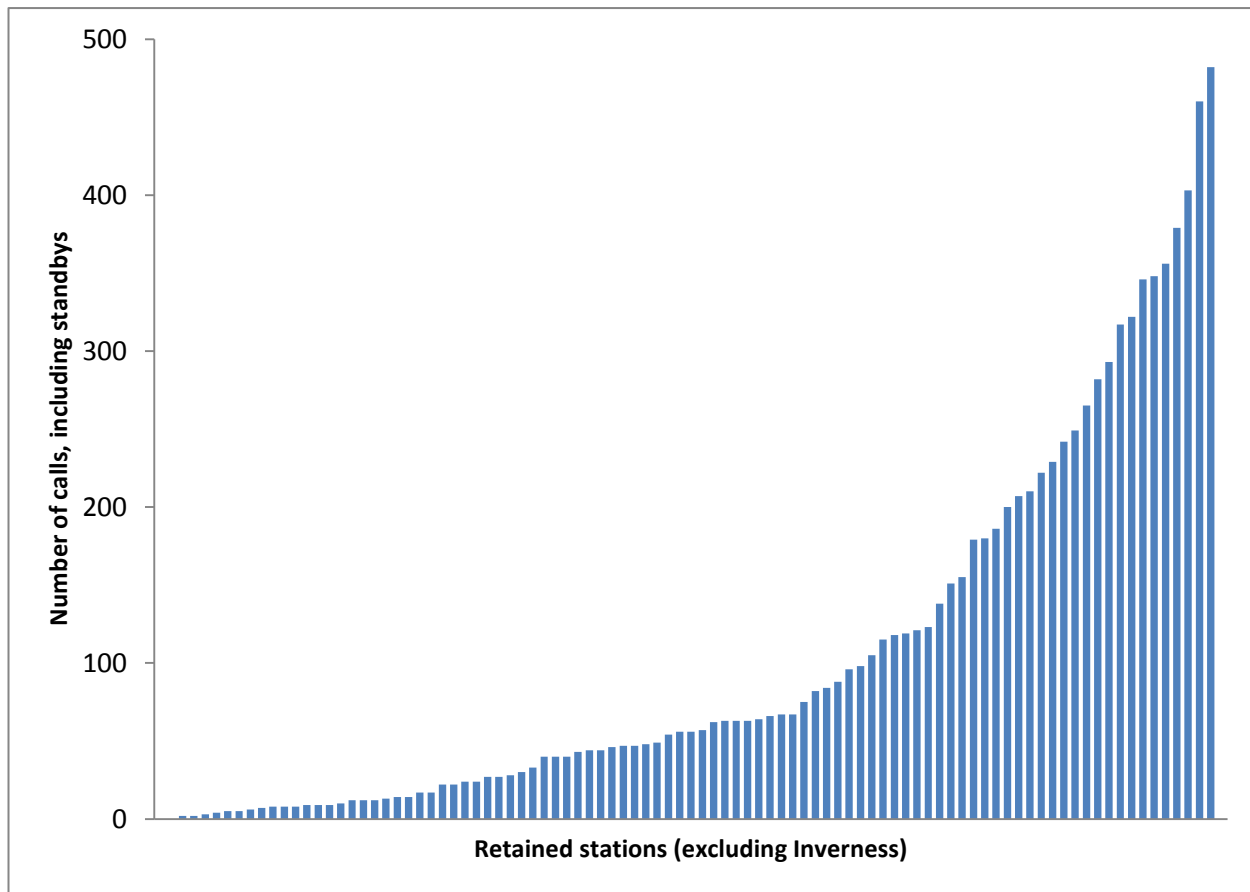
29. The responsibilities of fire and rescue services have changed significantly over the past decade. In 2003, all Scottish services were required to produce Integrated Risk Management Plans (IRMP), identifying the level of local risks and determining the appropriate allocation of resources. The Fire (Scotland) Act 2005 introduced further changes, placing a strong emphasis on prevention rather than simply emergency response.
30. H&IFR produced an initial IRMP plan in 2005. This outlined the context of the area, the main community risks, and broad actions to take forward prevention activities and develop its approach to risk planning. The service subsequently produced IRMP annual action plans and has incorporated this within its SIP since 2008/09. The current SIP outlines the aims and planned activities of the service but has lost the risk focus of the IRMP; it does not articulate the local risks and community needs and how these are being managed.
31. IRMP has not been used to-date by H&IFR to strategically align its resources. However the service has slowly progressed its commitment in the 2005 IRMP to review its framework. A significant amount of work has been undertaken by the service to develop this, including detailed risk profiles for each station area, a risk mapping exercise to review different options and, a review of the sustainability of each station in relation to the recruitment of sufficient numbers of firefighters. This has been undertaken in a phased approach and has culminated in a new fire cover model that has been approved in principle by the board. The model proposes three different levels for current retained stations,
- Primary - mobilised to all incidents
 - Standard - specific equipment to deal with all core incidents
 - Community Response Resilience Unit - with a possible limited structural firefighting capability, subject to developing suitable safe systems of work.

Factors the service has used in its assessment of each station include:

- Sustainability - The ability of the station to function and attract new personnel into the future
 - Risk levels - life risk, the concentration of vulnerable people, potential role in community resilience
 - Support - The ease with which supporting appliances can reach a station and the potential for each station to support others
 - Activity rate - The frequency with which a station is mobilised to incidents
 - Assets - The provision, age and condition of the building and appliances.
32. While the board has supported the principle of the new fire cover model, members have not approved specific proposals from the CFO for closing a small number of fire stations and changing the role of others. Where sufficient numbers of firefighters can be recruited, the board has clearly stated an unwillingness to close stations, even where there are very low levels of community risk. For example, information gathered to support the service's fire cover model shows some stations having extremely low numbers of call outs (Exhibit 3). Resources have continued to be spent in

areas with very low levels of community risk. In one case, for example, *using the Fire Service emergency cover (FSEC) software*, the service's risk modelling indicates that the provision of a particular station could only be expected to save a life *once in many thousands of years*. There is no evidence to show that this represents the best use of resources. In addition, with such low levels of activity, this makes it extremely difficult to maintain skills and raises major concerns about the health and safety of part time retained firefighters.

Exhibit 3: Number of call outs and standbys, April 2006 to September 2008



Source: Highlands and Islands Fire and Rescue IRMP Risk Review, 2010

- 33. This model has been developed by the service to specifically reflect the context and challenges of the Highlands and Islands and elements are not based on the model used across the rest of Scotland as this is viewed by the CFO as difficult to achieve in the context of the area. However the head of the Scottish Government's SFRAU has recently expressed concerns about the safety and efficacy of the model, particularly with regard to low activity stations. It is also not clear how the model proposed by the service can effectively be integrated into the national service, anticipated to begin in 2013/14.
- 34. Over a number of years there has been poor leadership and governance of the service by both the joint board and the senior management team. The Highland and Islands joint board has provided

insufficient challenge and leadership to the service. The service currently faces substantial difficulties and needs to improve many of its arrangements resulting from a lack of effective management over a number of years. The joint board did not respond adequately to these failings and is therefore ultimately accountable for issues such as inadequate training arrangements to ensure firefighter safety and competence.

35. However member awareness of some of the key issues for the service has been limited by the variability of the quality and range of reporting to the board. Over the past two years there has been an investment in providing members with improved information, including presentations to improve awareness of strategic issues, and better performance reporting. The strategic issues presented to members during 2010/11 included, financial resources, service delivery, workforce, asset management, planning and performance. This has led to more informed and challenging discussion and scrutiny. The joint board still needs further support and effective engagement in strategic planning to provide a good level of leadership to the service as it deals with significant challenges it faces in sustaining and improving its arrangements.
36. Over the last two years there has been a significant improvement in the management culture at H&IFR, with a greater degree of openness within the organisation about improvements that need to be made. However the service recognises that considerable legacy issues remain, including gaps in management arrangements, a significant capital backlog and inconsistency in operational level arrangements across the service.
37. H&IFR is benefiting from the strong skills and commitment of a number of managers and staff, keen to progress change and improvement. However the scope of work to be undertaken is significant and it is unlikely that the service will be able to address the range of improvements needed at an adequate pace.
38. Discussions with the Head of the Scottish Government's SFRAU about his concerns on progress with the service's improvement plans and fire cover model took place over the summer of 2011. In November 2011 the board and service, *recognising the extent of the challenges faced*, agreed to some support from a peer group of senior managers from other Scottish fire and rescue services. The objective of this group is to *build management capacity, assisting the service* in prioritising key corporate risks, revising the SIP and producing an action plan. The focus of this work is firefighter and community safety. The intent is that where further support is required beyond this initial phase, such as capacity to implement improvements, support will be sought from across the other services. Given the urgency for improvement in the service's arrangement, the need to ensure an appropriate and sustainable delivery model and pressure on management capacity, it is important that both the service management and the joint board engage fully and constructively with the peer group.

Partnership working

H&IFR has good working relations with partners at a strategic and operational level and actively engages in civil contingency and community planning partnerships. Community safety activity across the partnerships is however variable and on the whole not strong. The service takes part in a range of community safety initiatives including educational programmes, however there is little evidence of the evaluation of the impact and value of

these initiatives or challenge and scrutiny by the board. There is limited joint working with other emergency services and other fire and rescue services.

39. Fire and rescue services work through a range of partnership arrangements. They plan for civil contingencies with public and private sector partners through Strategic Co-ordinating Groups (SCGs). Prevention activity is typically delivered through community safety partnerships, working with local authorities, police, health, social landlords and the voluntary sector and sharing information on individuals at risk is key to ensuring prevention activity is most appropriately targeted. Fire and rescue services also deliver their response services in conjunction with other emergency services such as police, ambulance service, coast guard and mountain rescue. Individual fire and rescue services also work with other fire and rescue services, typically to provide cross-border response services or contributing to national resilience for major incidents.
40. H&IFR has good working relations with partners at a strategic level. A senior manager of the service is assigned to represent the service at each of the constituent community planning partnerships at a strategic level. Particular progress has been made with improving contact and relations with the constituent councils. The assigned managers meet regularly with the chief executives of the councils and present performance reports to the councils on a quarterly basis. At a local level, district managers represent the service in relation to local partnership activity.
41. H&IFR is a key partner in civil contingency work across its area, working closely with partners in local emergency co-ordinating groups and at the Highlands and Islands SCG. The SCG carries out high level risk planning for major incidents which could disrupt the area. Significant risks to the community across the area are identified in a community risk register. Although the risks within this have been considered as part of development of the service's new Fire Cover Model, there is little evidence that community risks have informed current resource planning across the area to station level. However, dedicated Community Safety Advocates are deployed in the most populated centres to help focus preventative work on the areas of greatest risk.
42. The community safety partnerships across the area vary in the level of activity and evidence suggests that progress with these is slow. There is a lack of clarity in relation to the objectives and targets of the CSPs. Of the four community safety partnerships across the area, the largest, Highlands is the most active. Through the Highland's CSP H&IFR is involved in the delivery of fire and road safety educational programmes such as the 'Driving Ambition' road safety course aimed at young drivers and passengers. This programme has been delivered in the Highlands area and is now being rolled out to the Islands. These initiatives have the potential to contribute to saving lives and reducing future demands on the fire and rescue service. However there is no evidence that these initiatives are being evaluated to determine whether partnership initiatives deliver the desired outcomes and make best use of available resources.
43. The service also engages well with partners in relation to supporting its preventative work. Council housing and social services, for example, can identify vulnerable individuals and provide referrals for home fire safety visits. However, this is not strategically coordinated and therefore is not consistent or well deployed across the whole area. This is partly due to the requirements of the Data Protection Act being seen as a barrier by some partner organisations.
44. There are a number of examples of partnership working by the service aimed at efficient sharing of resources:

- a joint approach with Highland Council was taken in the building of a school and fire station in Lochaber
 - shared facilities with airport fire services in the islands
 - management training arrangements with the police, local colleges, the Highlands and Islands University and other partners.
45. The service has a shared arrangement with the Scottish Ambulance Service for a common 'first responder' approach *and has discussed a 'co-responder' approach* for remote rural communities. *Discussions on where a co-responder approach would be required and how this would be resourced are currently taking place.*
46. There are no significant shared services with other fire and rescue services although H&IFR does have a memorandum of understanding with Strathclyde Fire and Rescue for support in relation to workforce and HR management.

Scrutiny, performance management and improvement

Performance information systems have improved significantly in the last two years and this has contributed to an improvement in the performance reporting to elected members. The service does not have a formalised approach to support continuous improvement. However, the service has identified a number of areas for improvement and a good deal of work has begun but it is unlikely that the service has the capacity to address the scope of work with sufficient pace. Although scrutiny has improved over the last two years members have not provided sufficient scrutiny and challenge to the service.

47. H&IFR has no formalised system in place to support strategic improvement work. There is a commitment in the SIP to implement the Public Sector Improvement Framework (PSIF) but this has not yet been progressed.
48. The service management recognise the key issues that need to be improved, they are keen to make progress and are making efforts to take these forward. However the focus of work over the past year has been the *progression of an appropriate* fire cover model and this has impacted on the management capacity to address other important areas for improvement.
49. A short life service improvement team was established in June 2010 by the previous CFO for approximately a year. This team's remit was to make progress in a number of key areas for improvement ([Exhibit 4](#)). This team provided some support but also identified where further work was required. It has now been disbanded, but the service has not established arrangements to supersede this approach and there is no evidence of a structured approach to coordinate and progress the range of improvement activities identified.

Exhibit 4: H&IFRS Improvement Team remit

Primary roles

- To support the implementation of the Service's Incident Command system into all operational stations.
- To enhance the competency of operational decision making.
- Support advertising for, and the recruitment and selection of staff.
- To enhance capacity to deliver core skills training.
- To support operational assessment and Quality Assurance programmes.
- To ensure key station management and development arrangements are in place and are fit for purpose.
- To ensure all communities can receive fire safety and community fire safety services.

Source: H&I F R

- 50.** Improvement activity is not systematically managed across the service at an operational level. There is a good deal of variation across the districts and stations in how they operate. Operational assurance systems within the service are limited and do not provide a robust improvement mechanism and method to improve consistency.
- 51.** Systems to support performance information management have improved significantly over the past two years. The service has designed a performance system that extracts information from various other systems on a daily basis. The system developed also supports programme management of the service's strategic plans with actions within these mapped within the system for monitoring.
- 52.** The focus of this work has been to improve the performance reporting to members for scrutiny. There is a clear improvement in the quality of performance reporting to members. Since September 2010 the board have received quarterly performance reports for the Highlands and Islands area and similar quarterly reports are also produced for the constituent council areas. The reports are well presented and illustrate progress against the service's strategic objectives using a traffic light system, charts showing trends and analyses by the constituent council areas. The reports provide a good range of information although there is scope to enhance these further with for example cost information and workforce related indicators.
- 53.** Improvements in performance reporting over the past two years have helped to develop the quality of scrutiny by members. This has also been supported by a series of presentations to members on service delivery, finances, asset management, workforce development and planning and performance. However the current service management team's candour with board members regarding the significant challenges currently facing the service [including service sustainability and firefighter competence and safety], and the lack of awareness by members in relation to these issues suggests that reporting to members for effective challenge and scrutiny has been inadequate prior to this. Board members have also failed to pursue and demand sufficient information from managers to assure themselves that the service for which they are accountable is being managed effectively and efficiently.

Use of resources

Resources have not been managed effectively in H&IFR for some time and this legacy is compounded by the current economic climate. There have been recent improvements to asset management arrangements but, if the current number of stations is to be maintained, the service faces a major capital backlog of £17 million. There is also a need to now prioritise capital spending, with investment focused on stations which are sustainable.

Poor ICT infrastructure is impacting on the service's ability to effectively progress areas for improvement such as communications and training.

Significant weaknesses in training arrangements are recognised but progress to improve this has been slow. New investment has been agreed but the service lacks the capacity to make progress with sufficient pace.

Members have provided insufficient challenge and scrutiny to ensure resources are managed efficiently and effectively with the safety of firefighters paramount.

Financial management

H&IFR faces significant challenges with major demands on both its capital and revenue budgets.

54. H&IFR is in a financially challenging position. It has managed to make efficiency savings over the past three years and has underspent its 2010/11 budget but it faces significant pressures on both its revenue and in particular its capital plans.
55. H&IFR's operating expenditure in 2010/11 was £21.64 million, underspending its budget by £0.726 million. From this underspend, the board carried forward £0.375 million, taking its general fund reserve balance to £1.3 million. This is the maximum level allowed under the Fire and Fire Services (Finance) (Scotland) Act 2001, which allows the board to carry forward up to three per cent of the contributions from the constituent authorities in the year. However the board had already used some of its general fund and therefore exceeded a year on year rolling maximum and required approval from Scottish Ministers (received in February 2011) to carry forward the £1.3 million from 2010-11 into 2011-12. These reserves are important given significant current demands for capital and revenue funds.
56. H&IFR has made over £2 million of efficiencies in the last three years 2008/09 to 2010/11. This has exceeded the board's targets and included £470,906 delivered in 2010/11.
57. Revenue expenditure is however under pressure:
 - In line with the expectation from local authorities, the budget for 2011/12 has reduced by 2.6 per cent from 2010/11, requiring a budget reduction of £0.796 million.
 - Increasing costs of fuel, energy and other services are more significant in the context of the highlands and islands.
 - There are additional *factors that are having an impact on revenue expenditure*:

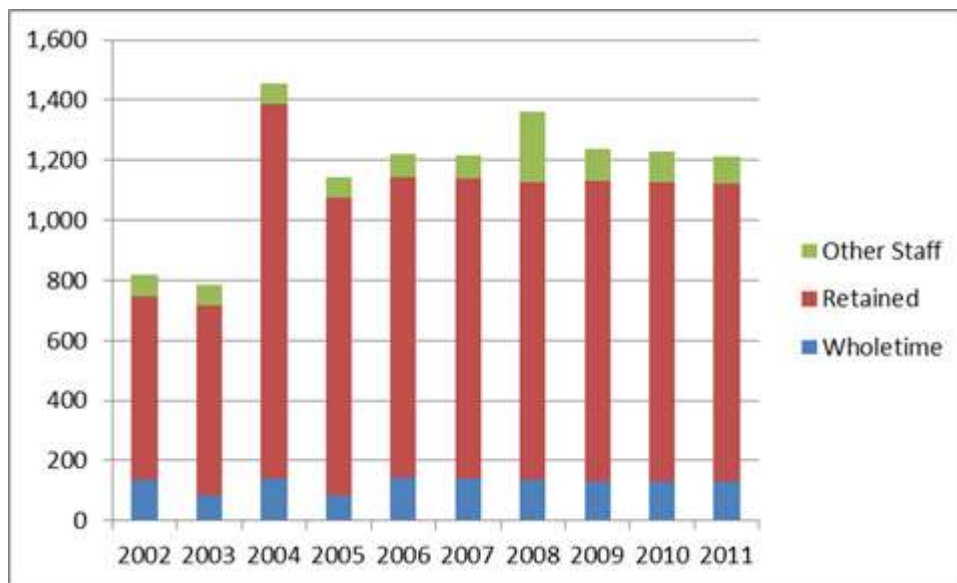
- £0.258 million to meet required health & safety (H&S) standards following an Internal Audit review
 - a further £0.8 million announced in December 2011 to address improvements required in training
 - additional funding of £0.090 million in respect of the impact of “Prevention of Less Favourable Treatment for Part Time Workers”
 - £0.05 million implementation costs in respect of single status.
58. The board has a three-year capital plan for 2011/12 to 2013/14. Capital expenditure in 2010/11 was £2.652 million. The capital budget for 2011/12 was £2.165 million but in May 2011 the board agreed that any unspent contributions in 2010/11 (after deducting the amount needed to take the general fund balances to the limit allowed). This amounted to a further £0.351 million to be used as a contribution to capital. Outline capital plans for 2012/13 and 2013/14 are in the region of £1.9 million per year
59. However the level of capital investment required to make H&I F&Rs asset base fit for purpose is substantial:
- Thirty Five stations require considerable investment to bring them up to an acceptable standard.
 - The fleet of vehicles and operational equipment require investment of around £2.5 million to bring them up to standard and to maintain them in good working order means an annual spend of £1.9 million.
 - The services IT and communications infrastructure also requires significant investment to be effective.
60. Much of the current financial challenges facing the service, particularly the capital backlog, have developed over time. Members of the board approve and monitor the revenue budget and capital programme. However the board has not provided sufficient oversight of resources. It needs to take a stronger role in the scrutiny and challenge of how effectively the service is managing and monitoring the use of resources. During the transition to the creation of a national fire and rescue service in 2013, it is important that there is a clear approach to managing resources and that the joint board maintain appropriate financial oversight of H&IFR.
61. The service's internal financial management arrangements have improved over the past year but further work is required. A range of standard procedures have been developed and rolled out to support managers with devolved budgets. However planning arrangements need to be better integrated. The annual budgeting cycle progresses ahead of the development of annual division and functional planning therefore costing of initiatives and work within these plans is not contributing to the budgeting process. This undermines the effectiveness of the financial planning.

Workforce management

H&IFR has not adequately addressed workforce management issues, in particular its training arrangements. Efforts over the past two years to make improvements are evident but progress is slow and the service lacks the capacity to make progress at sufficient pace.

62. The service lacks a formalised workforce plan or strategy but has a framework of policies and plans. Many of its policies are out of date and require review and updating. Progress has been slow with developing workforce management but over the past two years there has been more focus from senior management on addressing the gaps in this critical area for the service. The primary issues in relation to workforce management are outlined below but there is a range of issues that need to be addressed and consistently deployed across the service.
63. H&IFR has experienced significant shifts in its workforce profile over the past decade ([Exhibit 5](#)). In particular, since 2003/4 the number of retained firefighter in the service doubled. This occurred as a result of previously volunteer stations being re-designated as retained stations. This re-designation had a significant impact on the workforce management requirements of the service, in particular meeting training requirements. The increased needs were not adequately defined and addressed.

Exhibit 5: Highlands and Islands – Total staffing (FTE)



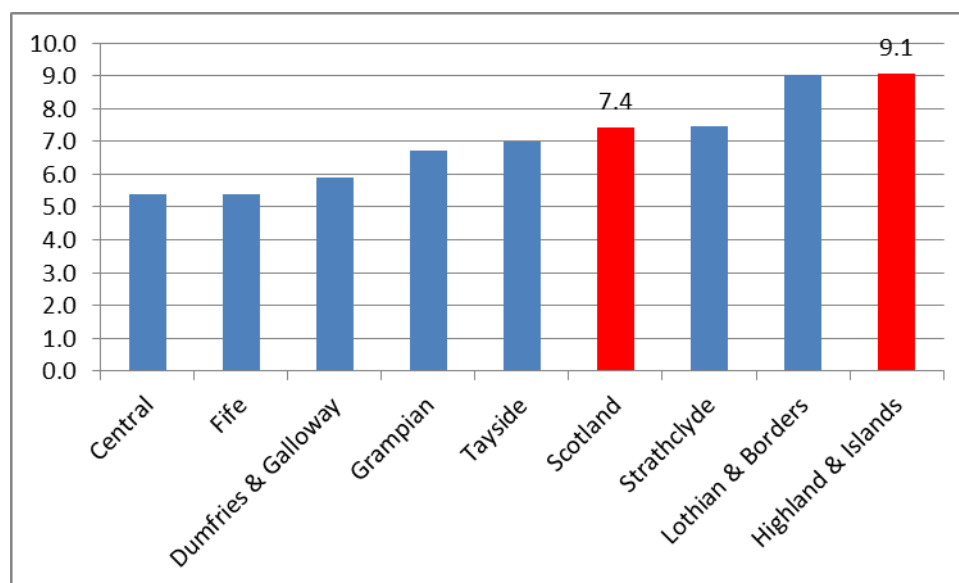
Source: CIPFA

64. Following the publication of the UK Fire Service Health and Safety Audit 2010 by the Health and Safety Executive, the service undertook a review of health & safety to assess the development and maintenance of firefighter and command competence. The review identified significant gaps in the services training and development arrangements that have a bearing on the health and safety and skills competence. Since this review there has been work undertaken to improve risk critical skill development of uniformed staff. In particular there is a focus on catching up on breathing apparatus training. This has impacted on the capacity of the service to deliver other training including other risk critical skills from the corporate centre. In August 2011 the board approved additional expenditure of

£258 thousand to support command competence training and in November 2011 the CFO presented budget assumptions for 2012/13 that include additional expenditure of £749 thousand to support the identified training gap for retained firefighters.

65. Given the limited trainer capacity and the logistics and costs of providing training across the area, there is a significant reliance on ICT as a tool in the delivery of training and assessment of competences. The ICT infrastructure and systems are currently poor and limit its effectiveness in supporting training and development and the consistency of recording, validation and reporting of this.
66. The reliance on IT based assessment of competences needs to be balanced with an equally stringent approach to assessment of the core practical skills. District staff and station based managers are responsible for ensuring that all competencies relevant to staff based on stations are met. However the weaknesses in training and recording mean that it is not clear if those providing training at this level are adequately trained to do so. This is compounded by the limited operation assurance arrangements which do not provide a consistent and robust assurance that training and development is effective and of a consistent standard across crews.
67. The service recognises that historically there has been a disconnect between the corporate centre and the management and functions at a local district level. A range of measures is now being implemented to improve communication and the establishment of consistent management and training standards. A framework of regular meetings across the districts and at all levels has been established and secondary responsibilities have been identified for managers, that link into corporate centre functions.
68. The days lost due to sickness absence have increased in recent years in H&IFR. Days lost through sickness absence and light duties are the highest of all the Scottish fire and rescue services ([Exhibit 6](#)).

Exhibit 6: Days lost per fire officer and all other staff – 2010/11



Source: Audit Scotland Statutory Performance Indicators

Asset management

There have been recent improvements to H&IFR's asset management arrangements but the service faces a major capital backlog of £17 million. In addition, investment in new stations is continuing, despite evidence on the difficulties in sustaining a service in some areas. Poor ICT infrastructure is impacting on the service's ability to effectively progress areas for improvement such as communications and training.

69. Major challenges with H&IFR asset management have not been effectively addressed over recent years. The service has accumulated a backlog of around £17 million of capital work to make its asset base fit for purpose. Many of the issues relate back to the re-designation of many volunteer stations to retained duty service stations in 2003/04. Around 35 stations currently require significant investment to be brought up to an acceptable standard as well as the need for investment in the vehicle fleet. The service estimates it would take ten years to address the backlog with the current profile of stations and at the current rate of investment.
70. Over the last two years, significant efforts have been made to make progress with improving asset management. The service has employed a property manager and manages the building projects internally rather than through council led arrangements previously in place. New approaches to the development of properties have been taken with changes to previously used standard specifications, reducing the costs and time to build stations.
71. A new asset management plan was agreed in March 2011. The plan illustrates the building replacement programme and the timescale set for the build schedule. Although this is positive progress it is important that this plan is reviewed in light of the governments plans to move to a national fire service and in relation to potential decisions on the service's fire cover model. It is not evident that the board has considered whether it is appropriate to proceed with the significant investment in new builds planned in the current context. In October 2011, for example, the board approved the award of a contract for the construction of a new retained station, despite strong evidence on the station's very low levels of incidents and the difficulties in sustaining a trained workforce.
72. The service's ICT infrastructure is inadequate. The scale and geography of the area means it is particularly important for the service to have robust systems in place for efficient and effective management of the service. The ICT systems are relied on as a significant tool in the delivery of firefighter training, recording and reporting of a range of information and, communications from the corporate centre. The limitations of the current infrastructure therefore have a detrimental impact on the quality, consistency and reliability of these aspects of the services arrangements.
73. The service has recognised this as an area for improvement and has made efforts to begin to address this significant problem but progress has been slow. The service has undertaken a review of its ICT arrangements and is starting to roll out a programme of investment in new equipment and wider improvements but the complex difficulties and scale of the problems with the ICT infrastructure remain a significant ongoing challenge for the service.

Service performance

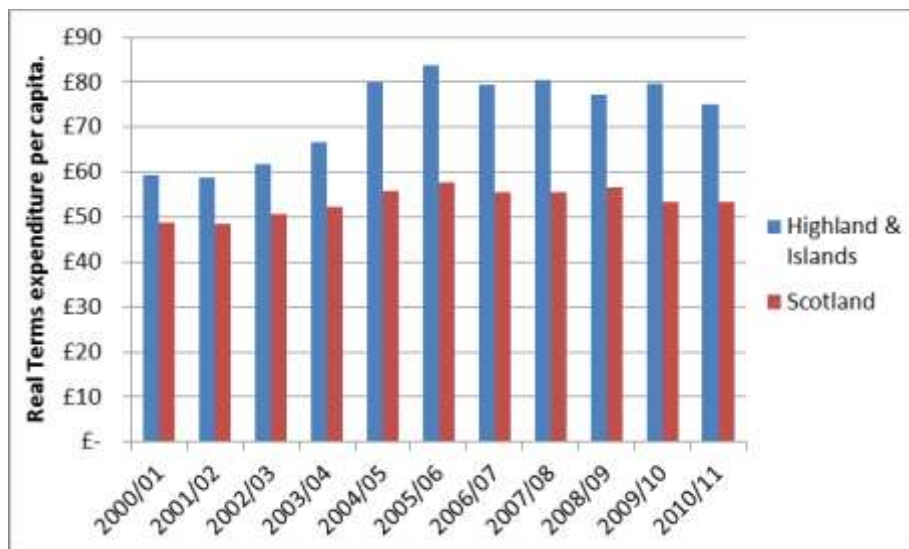
H&IFR provide emergency response services in a very challenging geographical area, contributing to longer response times and higher costs. However, risks to the community from fire incidents are low with few fires and casualties. The service provides high numbers of home fire safety visits to its communities and has increased its commitment to other preventative work but needs to make more progress with developing and implementing consistent approaches.

Service costs

The cost of providing the fire and rescue service in Highland and Islands is relatively expensive per head of population. However, costs have reduced in real terms by 4.2 per cent over the past four years.

74. H&IFR's operating costs per head of population are well above the Scottish average. In 2010/11, excluding pension costs, it spent £75 per capita, significantly above the Scottish average of £53 (Exhibit 7). It is relatively expensive to provide the current service coverage to a low density population, across such a large area and, on many islands. The cost of running a RDS fire station in a location with very low numbers of incidents is not significantly different from the cost of running a RDS station with frequent incidents. However the remoteness of most of the stations means that there are many additional costs, for example the cost of providing some training is high because of the significant travel costs, which may include flights from islands, subsistence costs and additional time payments.

Exhibit 7: Real terms costs per capita, 2000/01 to 2010/11



Source: CIPFA data adjusted by HM Treasury GDP deflator

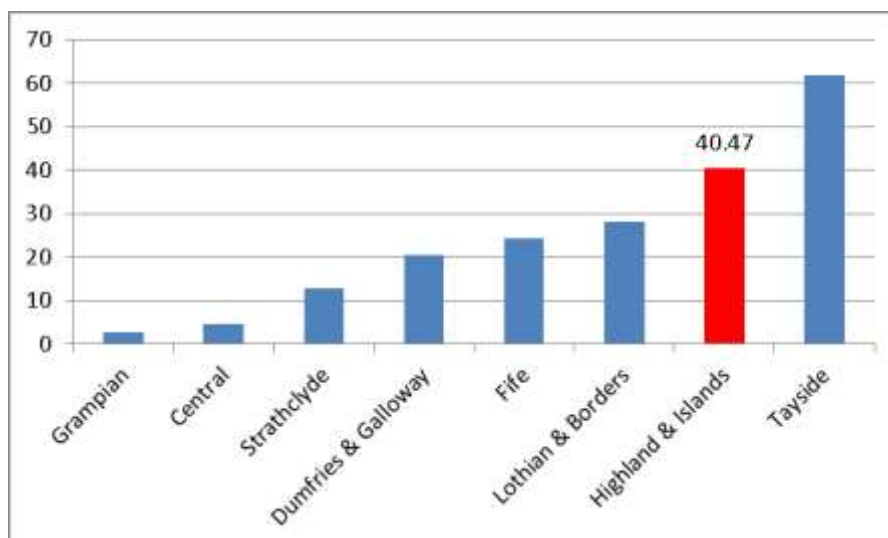
75. Over the past decade there has been a notable increase in expenditure ([Exhibit 7](#)). This predominantly relates to the upgrade of stations' status from volunteer auxiliary to retained stations from 2004/05 and resulting increase in staff costs. However there has been a decrease in real terms cost of 4.2 per cent since 2007/08, a little more than the trend nationally with a fall of 3.7 per cent.

Prevention

H&IFR shows a commitment to the provision of high levels of home fire safety visits in its communities. Other prevention work is less consistently developed across the service.

76. A key feature of the introduction of IRMP and the Fire (Scotland) Act 2005 was an increased emphasis on preventative work. H&IFR's main approach to meeting this responsibility is through the delivery of home fire safety visits (HFSV), giving advice and installing smoke detectors.
77. H&IFR carried out 5,782 HFSVs in 2009/10, equivalent to just over 40 per 1,000 dwellings ([Exhibit 8](#)). This is in line with earlier targets and is significantly higher than the national average of 20.4 visits per 1,000 dwellings in that year. The service aims to move to a more risk based approach to targeting HFSVs but this is not yet evident at an operational level in a systematic and consistent way. However this work is undertaken by district Community Safety Advocates and by the local retained firefighters, who as members of their predominantly small communities use local knowledge and relationships to identify and target HFSVs.
78. The limited development of operational assurance arrangements and training arrangements impact on this area of work. It is difficult for the service to assess the quality and consistency of the HFSV work being undertaken across the districts.

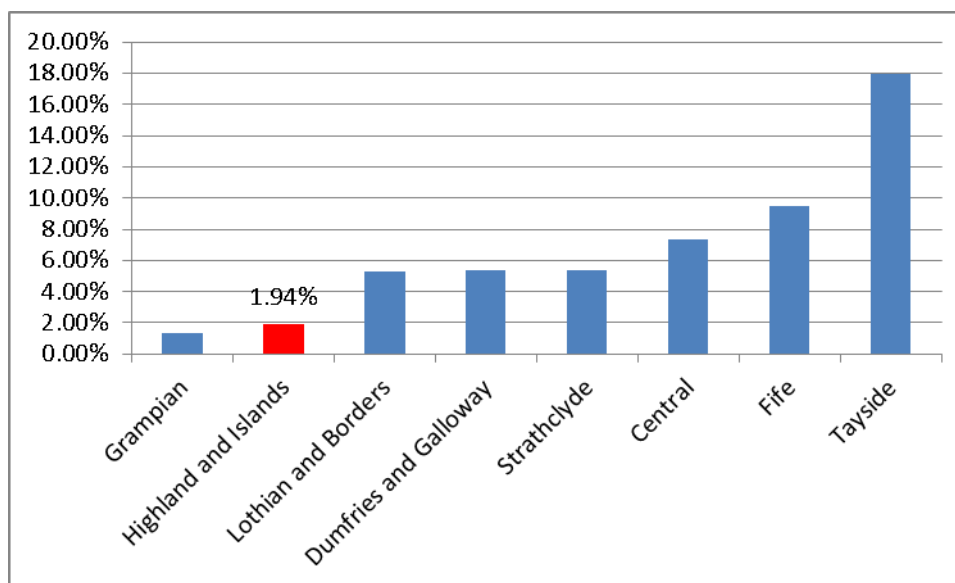
Exhibit 8: Home fire safety visits per 1,000 dwellings, 2009/10



Source: CFOAS Performance Indicators 2009/10

79. Statutory fire safety audits of non-domestic premises are another important approach to minimising fire risks in the community. In Highlands and Islands the level of fire safety inspections is low. In 2010/11, 182 statutory fire audits were carried out, representing 1.9 per cent of the 9,397 recorded non-domestic properties in the area. This is well below the national average ([Exhibit 9](#)). However, this work has focused on high risk properties, such as care homes, hostels and hotels.
80. H&IFR have not maintained a robust and consistent approach to undertaking this work for some time. The service is currently developing its arrangements. It has undertaken a review of its register of premises during 2010/11 and its community safety team in the corporate centre has set a risk based programme of inspections and developed a quality assurance system. There is however no dedicated resource within the service for undertaking this work. The work is devolved to the district teams, but there is a lack of appropriately trained and experienced staff or a consistent framework across the districts for planning, managing and undertaking this work.

Exhibit 9: Percentage of non-domestic properties subject to fire safety audits, 2010/11



Source: Scottish Government Statistical Bulletin

81. As part of its preventative work, H&IFR also works with key partners to support community safety. This includes, for example, advising partners about fire risk issues in areas with high alcohol and substance misuse issues, working with partners on road safety initiatives, and providing community safety advice through educational visits to schools. Initiatives, such as 'Driving Ambition', are targeted at young drivers. Other programmes such as 'HI-FiReS' courses for young people, fire safety DVDs and 'Don't give fire a home' roadshows, aim to improve awareness of fire safety issues in the community. Initiatives are well regarded by participants and partner organisations. H&IFR also provides training for those working with vulnerable members of the community, including organisations such as Deaf Services, Sight Action, WRVS and local authority housing staff. In addition, partnership agreements have

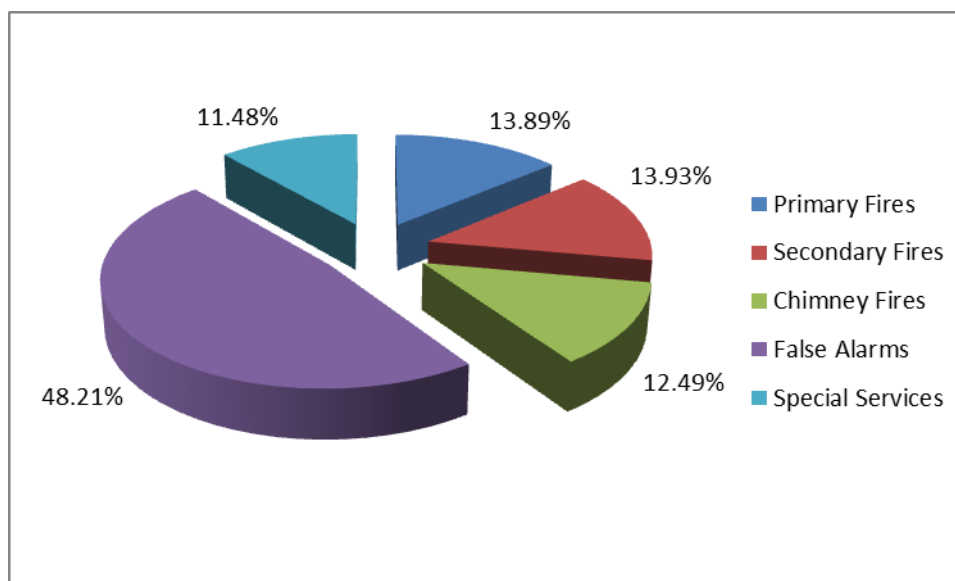
been established to share knowledge, expertise and two-way referrals for service users who are most at risk in the community. Although these activities appear to contribute to community safety, the service lacks clear evidence to demonstrate which initiatives are most successful and provide best value in helping to reduce fires and other accidents.

Emergency response

The risk to the communities in Highlands and Islands is low, with low incidence of fires and casualty levels. A significant proportion of calls are false alarms but these have shown a notable reduction in the last year. Average response times across the area are significantly higher than other Scottish fire services, reflecting the extreme geography of much of the Highlands and Islands.

82. In 2010/11, H&IFR responded to 4,435 incidents. In line with the national pattern, about 14 per cent of these related to primary fires (those in buildings, vehicles or involving casualties), about 14 per cent to secondary fires (typically outdoor fires in heathland, rubbish bins or derelict buildings), and almost half to false alarms ([Exhibit 10](#)). The remainder related to chimney fires and a range of 'special services', primarily road traffic collisions and, to a lesser extent, flooding.

Exhibit 10: Analysis of emergency incidents in Highland and Islands, 2010/11

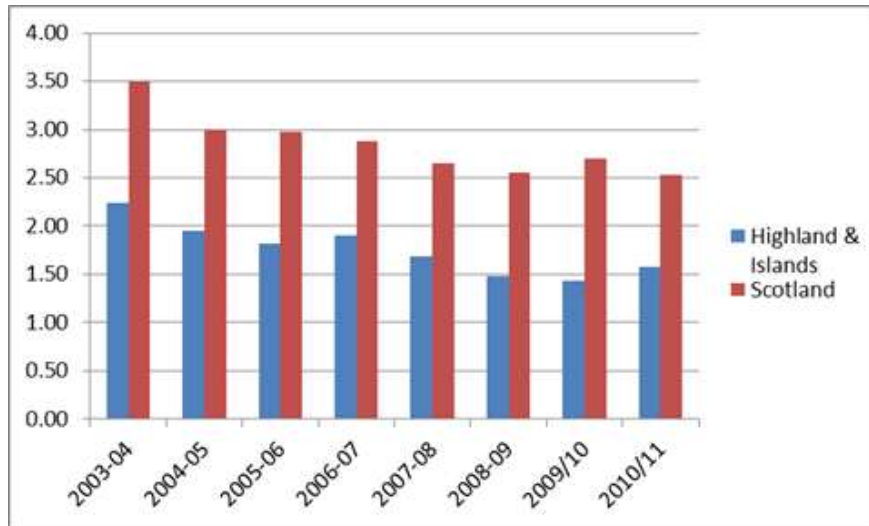


Source: Scottish Government Statistical Bulletin

Number of fires and casualties

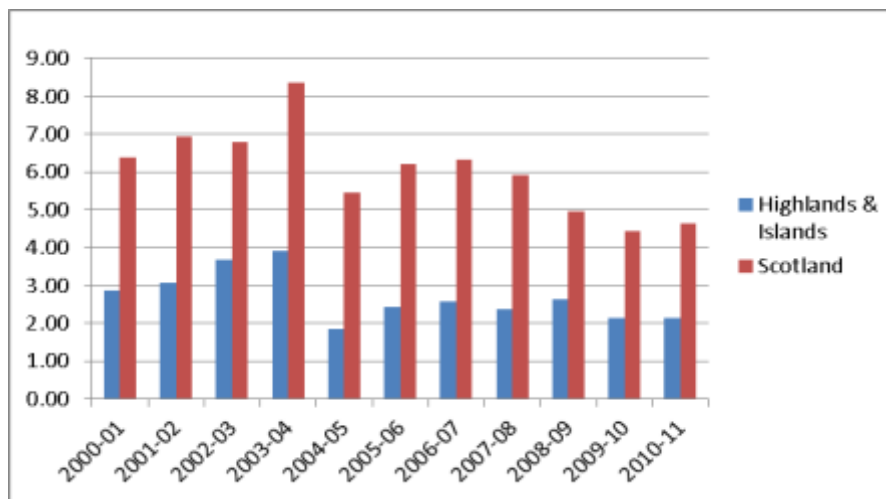
83. Historically, the level of fires and casualties within Highlands and Islands has been well below the Scottish average. In addition, over the past decade, the number of primary and secondary fires has fallen significantly (Exhibits 11 and 12). This can only act as an indirect indicator of H&IFR's performance as these trends are likely to be influenced by wider social issues, such as improvements in the housing stock or a decline in the number of people smoking, but it does suggest that its preventative work has had some impact.

Exhibit 11: Number of primary fires per 1,000 population



Source: Audit Scotland (Scottish Government Statistical Bulletin)

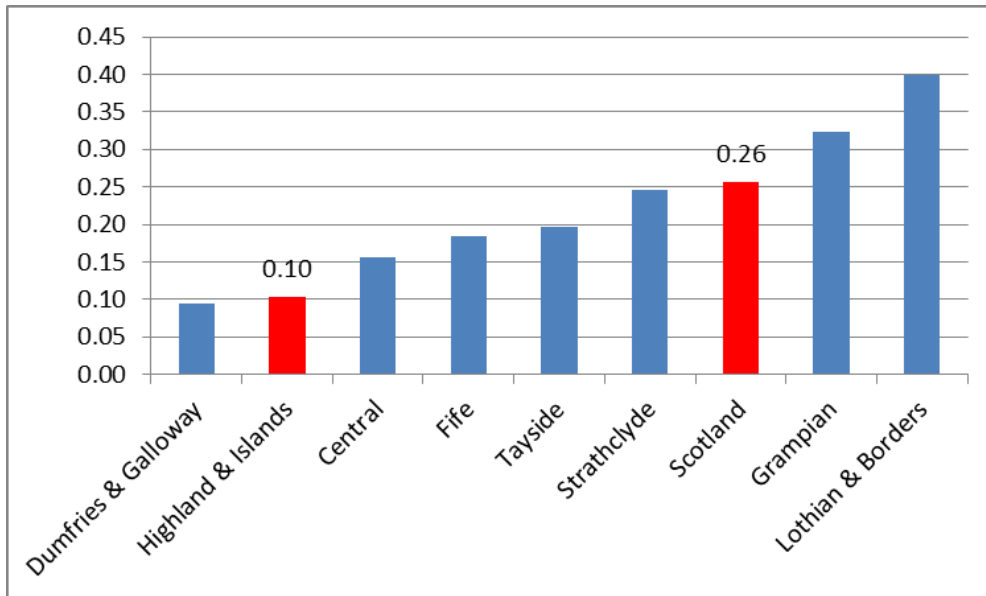
Exhibit 12: Number of secondary fires per 1,000 population



Source: Audit Scotland (Scottish Government Statistical Bulletin)

84. Over the last decade, casualty rates in Highlands and Islands have been consistently below the national average. Since 2009/10, the Scottish Government changed the definitions used to compile casualty statistics. It is therefore difficult to compare current trends with figures from earlier years. However, Highlands and Islands has the second lowest casualty rate in Scotland (Exhibit 13).

Exhibit 13: Total casualties per 1,000 population – 2010/11



Source: Scottish Government Statistical Bulletin

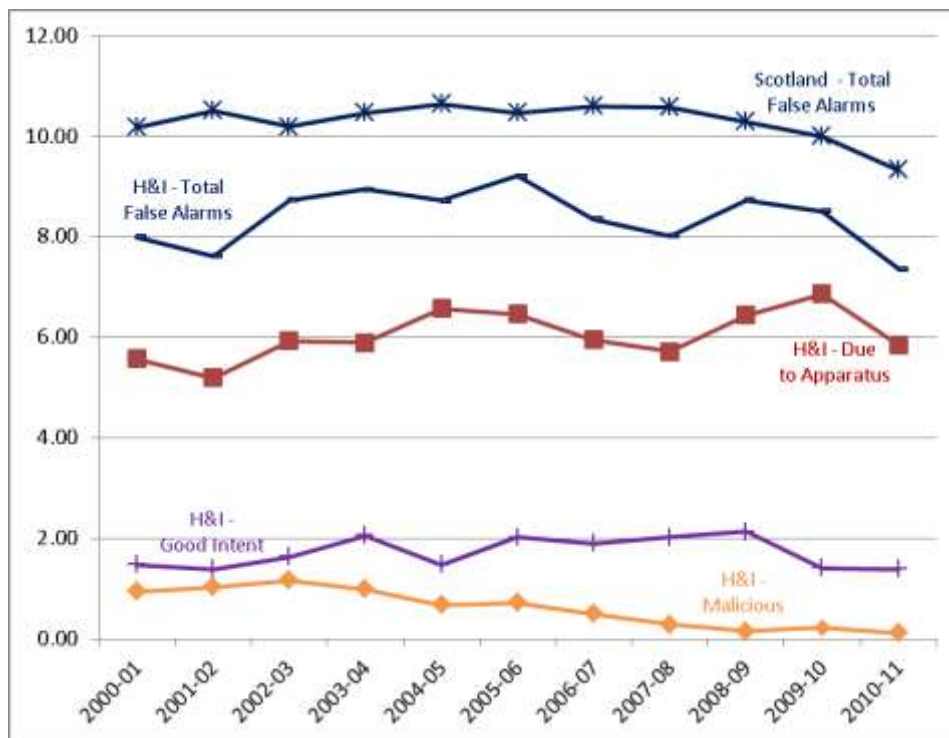
Special services

85. H&IFR deals with an increasing number of 'special service incidents', such as road traffic collisions and flooding. These now represent around 11.5 per cent of its emergency responses. However, there are no performance measures available locally or nationally to assess the standard of this work.

False alarms

86. False alarms can be caused by a range of factors, such as malicious hoax calls or faulty automatic alarms. They account for just under half of H&IFR's emergency calls. This is lower than the national average (Exhibit 14) but represents a significant use of resources on non-productive work. More importantly this means that there may be delays in responding to genuine emergencies particularly given the remote rural context of much of the area.

Exhibit 14 False alarms per 1,000 population



Source: Scottish Government Statistical Bulletin

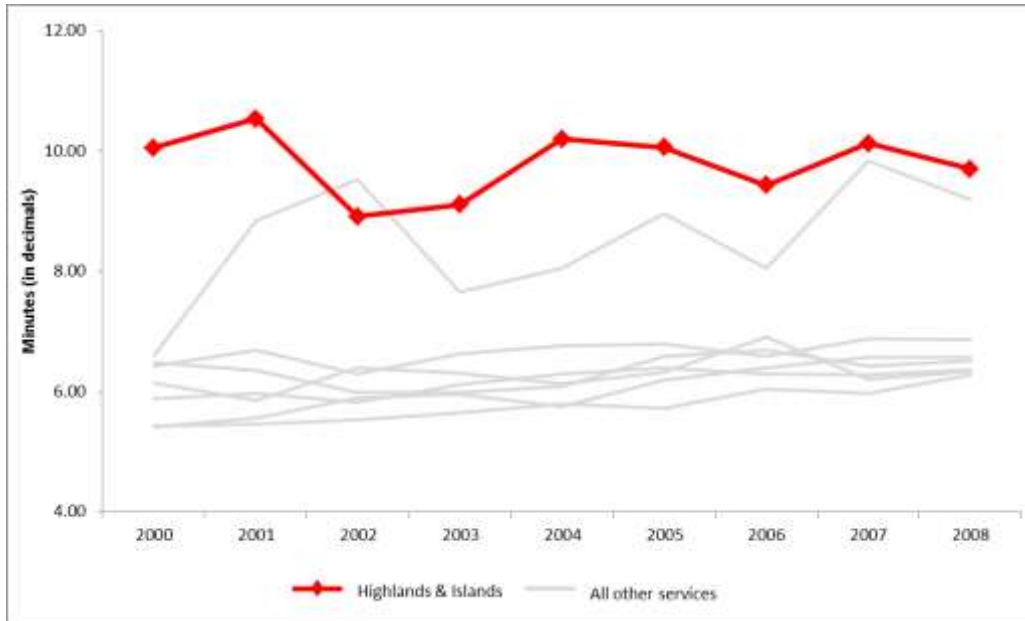
87. H&IFR have had some success over the past year in reducing the level of automatic false alarms (AFAs). Over the year the number of AFAs reduced by 14 per cent from 1,984 to 1,700.

Emergency response standards

88. The speed of emergency response and number of vehicles and firefighters mobilised can be important factors in securing positive fire and rescue outcomes. Prior to 2005, standards of emergency response were set out in the National Standards of Fire Cover, with standards varying according to risk factors associated with different types of buildings. With the introduction of IRMP, these national standards were withdrawn. This allows individual fire and rescue authorities to determine their own speed and level of response to meet the specific level of risks identified in their IRMP.
89. The SFRAU, as part of its 2011 report, *Review of the Implementation and Impact of Integrated Risk Management Planning in Scottish Fire and Rescue Services*, showed that H&IFR's average response times for primary dwelling fires are significantly longer than other fire and

rescue services (Exhibit 15). Although a significant proportion of these call-outs are in the more urban areas of the Highlands and Islands these average times reflect the significantly longer response times for call-outs to dwellings in remote rural parts of the Highlands and Islands area.

Exhibit 15: Average response times for primary dwelling fires



Source: *Review of the Implementation and Impact of Integrated Risk Management Planning in Scottish Fire and Rescue Services (SFRAU 2009)*

Improvement agenda

- Members need to take a much stronger leadership role in setting the strategic priorities, driving best value and providing robust challenge to the service.
- Both the service and board should engage with the peer support and utilise this external capacity to assist in focusing and progressing the improvement agenda.
- Review with the peer support team and national stakeholders the proposed fire cover model and how best this can be taken forward in the context of a national service commencing in 2013.
- Review the appropriateness of new capital projects in the context of decisions in relation to the fire cover model and the national service commencing in 2013.
- Seek assistance in ensuring command competence and firefighter skills competence and other required training is brought up to the required coverage at an urgent pace.
- Progress work to ensure there are consistent and robust standard policies and procedures deployed across all of the area. Ensure consistent and coordinated risk based approaches are progressed in relation to operational assurance, tactical information property inspections, fire safety legislative inspection work, and community safety work.
- Progress work with performance information systems to better support management.

ACCOUNTS COMMISSION

MEETING 16 FEBRUARY 2012

COVER NOTE BY SECRETARY AND BUSINESS MANAGER

BOARD OF STRATHCLYDE FIRE AND RESCUE

Purpose

1. The purpose of this paper is to introduce the report made under with Section 102(1) of the Local Government (Scotland) Act 1973. The Commission is invited to consider the report and decide which of the options for action it wishes to take.

Background

2. Section 102 (1) (b) of the Local Government (Scotland) Act 1973 provides for the Controller of Audit to make reports to the Commission with respect to 'any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public.'

The report

3. This report draws the Commission's attention to an issue highlighted in the 2010/11 annual audit report on the Board of Strathclyde Fire and Rescue by the appointed auditor PricewaterhouseCoopers (PwC).
4. The legislation provides that, on receipt of a Controller of Audit report, the Accounts Commission may do, in any order, all or any of the following, or none of them:
 - (a) Direct the Controller of Audit to carry out further investigations;
 - (b) Hold a hearing;
 - (c) State its findings.

Consideration of the report

5. The Controller of Audit and members of the audit team from Audit Scotland will be present at the Commission meeting to answer questions.
6. If the Commission considers that it requires further information to proceed with its consideration of the report, it may direct the Controller of Audit to carry out further investigations. If the Commission is satisfied with the information which it has, it may wish to proceed to make findings unless members consider that a hearing is necessary.
7. The circumstances in which the Commission may wish to hold a hearing are likely to include:
 - where the Commission has serious concerns about the performance of a local authority as demonstrated in the audit report; or
 - where there is a strong difference of opinion between the Controller of Audit and the local authority.

8. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make enforcement directions requiring authorities to take such action as is specified in the Direction.

Conclusion

9. The Commission is invited to:
 - consider the report by the Controller of Audit on the Board of Strathclyde Fire and Rescue; and
 - decide how it wishes to proceed.

Paul Reilly
Secretary and Business Manager
3 February 2012

A REPORT BY THE CONTROLLER OF AUDIT TO THE ACCOUNTS COMMISSION UNDER SECTION 102(1) OF THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973 ON THE BOARD OF STRATHCLYDE FIRE AND RESCUE

Introduction and Background

1. The purpose of this report is to make the Commission aware of an issue arising from the annual audit of Board of Strathclyde Fire and Rescue 2010/11.
2. In November 2011 I received the annual audit report on the Board from the appointed auditor PWC for the financial year ended 31 March 2011. The report notes an unqualified opinion on the financial statements and that the draft financial statements were of a good standard. However, the report raised concerns about the process through which the Board decided to allow the Chief Fire Officer to retire and then be re-employed during 2011.
3. In December, I received a letter from the Convener of the Board stating that he does not agree with the report's content or conclusions in relation to the retirement and re-employment of the Chief Fire Officer. I consider it appropriate to bring this matter to the attention of the Accounts Commission.
4. The Finance Act 2004 introduced a requirement for all registered pensions schemes to incorporate a normal minimum pension age of 55 by 6 April 2010. The Act provides for the members of certain pension schemes to preserve their full entitlement to benefits before the age of 55. The Firefighters Pension Scheme allows for members with 25 years pensionable service to retain the right to retire and take their pension from the age of 50. The Finance Act also gives protection against the increase in minimum pension age to those who, under the Rules of their pension scheme, had a prospective right to a pension from age 50 before April 2006.
5. In December 2009 a circular¹ from the Scottish Public Pensions Agency noted that HMRC guidance advises that protection is given only to those who had an unqualified right to retire before April 2006. The rules state that a Chief Fire officer is required to seek the permission of the Fire and Rescue Authority to give notice of retirement and this means that any retirement before age 55 is therefore not an unqualified right. HMRC have taken the view that Chief Fire Officers appointed before 5 April 2006 would therefore have to pay an unauthorised payment charge if they retire before age 55.
6. In Strathclyde, the Chief Fire Officer took up post on an initial temporary basis from 01 March 2004 and then substantively from 25 October 2004. The Chief Fire Officer retired on 14 July 2011 and was re-employed on 14 August 2011 in the same role as Chief Fire Officer, for an expected three year period. This allowed the Chief Fire Officer to access his pension lump sum payment, but not his annual pension, which has been abated while he is re-employed.
7. This course of action means that the Board and the Chief Fire Officer in Strathclyde may each be subject to an unauthorised payment charge. The auditor understands that this issue affected only nine of the 56 Chief Fire Officers across the UK, including Strathclyde.
8. On 14 April 2011 the Board of Strathclyde Fire and Rescue agreed to make provision to pay the unauthorised payment charges which might apply to the Board and the Chief Fire Officer.

¹ Scottish Fire and Rescue Circular 11/2009 – Scottish Public Pensions Agency – 16 December 2009

Auditor's position

9. On 11 June 2009 the Board considered a report, '*Retention of Corporate Management Experience*' covering the wider succession plans for the Corporate Management Team and the Chief Officer's own position.
10. In relation to the Chief Officer's arrangements, the paper noted: 'The Clerk to the Board has discussed with the Chief Officer his future career plans, and while eligible to retire in July 2011, it is proposed the Chief Officer continue in post for a 3 year period beyond the eligible retirement date in accordance with the Board's return to work policy'.
11. On 25 June 2009 the Clerk to the Board wrote to the Chief Fire Officer outlining the Board's approval for the Chief Officer to take retirement and be re-employed.
12. On 21 February 2011 the Board's Executive Sub Committee considered a report 'to advise on a recent variation in interpretation of the Firefighters pension scheme which could impact on the Chief Officer's retirement'. The report was subsequently considered by the Board on 14 April 2011.
13. The report was prepared by the Assistant Chief Officer (Human Resources) and the Clerk to the Board and included legal advice from a third party legal adviser. The paper sets out that a potential unauthorised employee payment charge could be levied by HMRC in respect of the Chief Officer's retirement and asked the Board to consider four options, summarised as:
 - no further action at this time;
 - make provision for the employer charges arising;
 - make provision for the employer and employee contribution arising; or
 - the Convenor speaks to the Chief Officer regarding a proportion of the unauthorised charge being met by the Chief Officer.
14. The Board agreed to make provision to meet the potential costs of both unauthorised payment charges amounting to £235,000. This is made up an employee element of £206,000 and an employer scheme sanction charge of £29,000.
15. The audit report raises concerns about the process through which the Board made decisions on this matter. In the summary of findings the auditor states 'Overall, the level of evidence made available to us does not readily support a best value decision concerning retirement, re-employment and the potential use of Board funds to pay the Chief Officer's £206,715 unauthorised payment charge.'
16. The full annual audit report is attached as Appendix A. The issue relating to the Chief Fire Officer is covered in the Executive Commentary on page 4 and in the Governance and Internal Control Arrangements section on pages 16 to 18.

SFRS Board position

17. On 01 December the Convener of the Board wrote to me expressing his, 'disappointment that the (external audit) report fails to provide a balanced or even accurate view in relation to the section about the Chief Officer's retirement and re-employment'.

18. The letter states the Convener's position that the audit report, 'does not set in context the actions taken by members and officers', and, 'has failed to accurately reflect the complex nature of the position the Board found itself in'.
19. The letter is attached as Appendix B. The appendix to the letter has been redacted as it contains sensitive personal information.
20. In the letter the Convener raises concerns about the audit process, the content of the report and the conclusions it reaches.
21. The Convener goes on to conclude 'Unfortunately, given the numerous changes made to the audit report and the lack of inclusion of key facts and context, I do not believe this represents a balanced report on the issue and, therefore, cannot agree with its contents or conclusions.'
22. On 8 December 2011 the Board considered a report on the annual audit report which states:
 - 4.2 The report comments on the Board's Governance and Control procedures, advising that in relation to the Chief Officer arrangements, the level of evidence made available does not readily support a best value decision concerning retirement, re-employment and the potential use of Board funds to pay an unauthorised payment charge, however, no action related to this decision is included within the Action Plan.
 - 4.3 The Convener, on behalf of the Board, has written to the Controller of Audit, disputing this conclusion and providing evidence that seeks to demonstrate that the Board acted responsibly and reasonably in this matter, having first of all obtained legal advice that such actions were within the powers of the Board.
 - 4.4 A copy of the Audited Statement of Accounts together with the Report to members incorporating an action plan, and the Convener's letter to the Controller of Audit have been issued separately to members.'

Conclusion

23. The Accounts Commission is invited to consider the issues raised in this report and decide on a course of action based on the options outlined in the covering report by the Secretary and Business Manager to the Commission.

Fraser McKinlay
Controller of Audit
03 February 2012

Appendix A – Strathclyde Fire and Rescue – Annual Report to the Board of Strathclyde Fire and Rescue and the Controller of Audit: 21 November 2011.

Strathclyde Fire and Rescue

Annual Report to the Board of Strathclyde Fire and Rescue and the Controller of Audit

For the financial year ended 31 March 2011

21 November 2011

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Executive Commentary

Introduction - Section 1

Our overall responsibility as external auditor of Strathclyde Fire and Rescue (“the Board”) is to undertake our audit in accordance with the principles contained in the Audit Scotland **Code of Audit Practice (“the Code”)**, revised and published in March 2007. We have a dual reporting responsibility for the audit: to the Board of Strathclyde Fire and Rescue and the Controller of Audit.

Financial Statements and Audit Opinion - Section 2

The financial statements of the Board for the year ended 31 March 2011 have been prepared to comply with accounting requirements contained in the contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2010: A Statement of Recommended Practice (“SORP”).

We are pleased to report that our opinion on the financial statements for the year ended 31 March 2011 is **unqualified**.

The draft financial statements and supporting schedules were made available to us at the start of our audit allowing us to progress and complete the audit within the timescales agreed with management.

The draft financial statements produced were of a good standard, with supporting working papers provided by management in accordance with our agreed timetable, allowing us to complete our audit testing as agreed. However, due to the late national notification of a change in accounting for injury benefit liabilities, changes were required to the Balance sheet and supporting notes to the accounts which meant that the audited accounts were not signed until 12 September 2011.

2010/11 Financial Performance - Section 3

After adjusting this in-year deficit to reflect the appropriate statutory and non-statutory adjustments, the Board achieved a surplus, contributing £3.5 million to the General Fund balance.

This position was principally achieved through the successful employment of workforce planning initiatives such as vacancy management, the implementation of 5GDS – a new firefighter roster system – and lower than budgeted pay awards.

After including the 2010/11 revenue underspend, the cumulative general fund balance, available for carry forward, totalled £11.1 million. This exceeds the legislative 5% cumulative carry forward limit. However, the Board has been given Ministerial consent to extend the carry forward limit and make use of these funds going forward. The 2010/11 carry forward balance of £11.1 million is within the revised limit.

Capital spend for the year amounted to £18.7 million against a budget of £18.9 million. This small under spend is due primarily to the timing of expenditure in relation to the new Clydesmill Training Centre.

Financial outlook for 2011/12 - Section 4

The year ahead is expected to bring further challenges to all public sector bodies. The sector must respond to a deep and protracted funding squeeze as public finances are rebalanced. In particular, the Scottish budget has been reduced by £1.3 billion in 2011/12.

The Board's Financial Strategy reaffirmed the Board's position on sharing the pain in respect of reductions in Local Government funding and as a result the Board have budgeted for a 2.8% decrease in their 2011/12 precept income.

Management believe that the cost saving plans such as a voluntary redundancy programme, realising the benefits of key restructuring decisions taken in 2010/11 and the utilisation of an element of carry forward funds available will enable the Board to achieve a balanced budget of £137.5million in 2011/12.

2012/13 and Beyond

The Scottish Justice Secretary's announced, on 8 September 2011, that a national Scotland-wide Fire and Rescue Service would be established. The Board are working with the Scottish Government and other Fire Board's on what the national service will look like and this is something which will be clarified over time. The Board continue to focus on continuing to deliver a best value fire service to the Strathclyde area.

Governance and Control - Section 5

Chief Officer Arrangements

We have assessed the Board's overall governance arrangements including a review of Board and key Committee structures and minutes, financial reporting to the Board, and risk management. The Corporate Management Team has undergone a structural change in the period, reducing the number of members from seven to five at Strategic Manager level.

The Board's Chief Officer retired on 14 July 2011, and was re-employed on 14 August 2011 in the same role as Chief Officer for an expected three year period. This allowed the Chief Officer to access his pension lump sum payment but not his annual pension, which has been abated whilst he is re-employed.

In April 2011 the Board approved the action to set aside £235,000 of Board funding to meet the costs of an unauthorised payment charge incurred by the Chief Officer (employee element of £206,000) alongside the employer scheme sanction charge which would be incurred (employer element of £29,000).

We have reviewed the process followed by the Board to allow the Chief Officer to retire and be re-employed and the decision to subsequently pay the employee unauthorised pension charge.

We can see no formal consideration within the process followed by the Board that alternative options other than retirement and re-employment of the Chief Officer were considered in June 2009, nor that further options were explored and considered in April 2011. In addition, the Board has been unable to demonstrate to us that the Chief Officer was fully independent of the decision making process due to his noted involvement and a lack of formal available evidence to the contrary.

Overall, the level of evidence made available to us does not readily support a best value decision concerning retirement, re-employment and the potential use of Board funds to pay the Chief Officer's £206,715 unauthorised payment charge.

Fraud arrangements

The Board suffered financial loss in the period as a result of a fraud perpetrated by an external party. The fraud in question involved a fraudulent request to change supplier bank account details. Bank details were amended and payment made to a third party. While a control was in place to prevent this situation from arising, it was not effective in this instance and the fraud came to light following a query from the Board's bank. An irrecoverable loss of £0.007 million was suffered. Information has now been received from the Police that an individual connected to this fraud and similar frauds has been arrested and successfully prosecuted.

Statement on Internal Control

The Code of Audit Practice requires us to review and report on the Board's Statement on Internal Control. The Board has used the format, set out within the SORP, for its Statement and has outlined the processes in place to identify and evaluate risks. In addition, key elements of the Board's control framework have been highlighted, such as the management information framework, financial regulations, segregation of duties and a system of delegation and accountability. Based on our normal audit procedures, we do not disagree with the disclosures contained in the Statement.

Section 1: Introduction

Purpose of this report

The Annual Audit Report which follows is designed to set out the scope, nature and extent of our audit, and to summarise our opinion and conclusions on issues arising. Specifically this will direct your attention to matters of significance from our 2010/11 external audit and to confirm what action is planned by management to address the more significant matters identified for improvement.

Scope, nature and extent of our audit

Our overall responsibility as external auditor of Strathclyde Fire and Rescue (“the Board”) is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland (March 2007). In this regard, the Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector involving not only assurance on the financial statements but also consideration of areas such as regularity, propriety, performance and the use of resources. It also sets out the need to recognise that the overall audit process is a co-ordinated approach involving the “appointed auditor” and the Auditor General for Scotland. Our audit has been planned and conducted to take account of this wider perspective where applicable.

Under the requirements of International Standard on Auditing (UK and Ireland) (‘ISA’) 260: “*Communication of audit matters to those charged with governance*”, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance. This Annual Audit Report to Members, together with previous reports to the Performance and Audit Forum throughout the year, as summarised at Appendix 2, discharges the requirements of ISA 260.

We would like to formally extend our thanks to the Board’s managers and staff for the assistance they have given us during the audit process.

PricewaterhouseCoopers LLP
Appointed Auditor
Glasgow
21 November 2011

Section 2: Financial Statements and Audit Opinion

Basis of Preparation

The financial statements were prepared in accordance with the accounting requirements contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2011: A Statement of Recommended Practice (“SORP”).

Government bodies, including Joint Boards, were required to adopt International Financial Reporting Standards (IFRS) from 2010/11 onwards. As a result the Board has restated its 2009/10 financial statements on an IFRS basis to provide prior year comparatives. Producing IFRS accounts for the first time was a substantial change for the Board, requiring significant input by management. Overall, this transition was well planned, and we only identified IFRS disclosure amendments.

Approval

The Board’s draft financial statements were signed as authorised for issue by the Treasurer to the Board and submitted to the Controller of Audit by the required timescale of 30 June 2011.

Audit Process

The draft financial statements and supporting schedules were made available to us at the start of our audit allowing us to progress and complete the audit within the timescales agreed with management.

The draft financial statements produced were of a good standard, with supporting working papers provided by management in accordance with our agreed timetable, allowing us to complete our audit testing as agreed. However, due to the late national notification of a change in accounting for injury benefit liabilities, changes were required to the Balance sheet and supporting notes to the accounts which meant that the audited accounts were not signed until 12 September 2011.

In common with a number of other Local Authorities and Joint Board’s producing full IFRS statements for the first time, a number of disclosure amendments were required in order to fully meet IFRS requirements. As a result, the production of the final accounts took longer than in prior years.

In addition, the finalisation of this report was delayed until the middle of November due to ongoing discussions **in respect of the governance arrangements in respect of the Chief Officer’s retirement and re-employment**.

Unadjusted Misstatements

Under ISA 260 - “**Communication of audit matters to those charged with governance**”, we are required to report to members of the Board all unadjusted misstatements which we have identified during the course of our audit, other than those which we deem to be of a trivial nature.

During the course of our audit we identified a number of proposed adjustments, principally disclosure in nature. Management have accepted all our proposed adjustments and these have been reflected in the final financial statements submitted. Therefore there are no unadjusted differences to report.

Audit Opinion

Our audit opinion concerns the presentation of Strathclyde Fire and Rescue's financial position as at 31 March 2011 and its income and expenditure and cashflows for the year then ended.

Our opinion on the accounts states whether the financial statements:

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2010 SORP, of the financial position of the Board as at 31 March 2011 and of its income and expenditure and cashflows for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

We are pleased to report that our opinion on the true and fair view on the financial statements and on the regularity of income and expenditure is **unqualified**.

We also provide a view as to whether those parts of the Remuneration Report subject to audit have been properly prepared – this only includes tables 1 to 5, as set out within the remuneration report. Our opinion on the Remuneration Report is also **unqualified**.

Going Concern

The Board's balance sheet discloses an excess of liabilities over assets of £911 million (£1,112 million in 2009/10). This liability position is wholly attributable to the accrual of pension liabilities. An excess of liabilities over assets is one of the indicators that may lead to concerns over the ability of an organisation to continue as a going concern. Therefore in accordance with International Standards on Auditing ("ISA") 520 we have considered whether the Board is entitled to prepare its financial statements on a going concern basis.

The pension liability on the balance sheet has decreased by £180 million in 2010/11. This is principally due to the fact that the actuarial assumptions used to account for the pension position were more favourable at 31 March 2011 than they were at 31 March 2010.

The Board has adopted the going concern basis for the preparation of its financial statements because the pension liability does not impact on its underlying ability to meet its current and ongoing commitments. Formal representations have been obtained from management in this regard and we agree with the basis of the preparation of the accounts.

Consultations are presently ongoing at a UK and Scottish Government level with a view to addressing the public sector pension deficit. The Board's position is consistent with other joint boards that operate unfunded pension schemes and we do not disagree with management's decision to prepare the financial statements on a going concern basis.

Accounting Issues

During the course of our final audit work we discussed a number of accounting issues, particular areas of judgement within the financial statements with management, with the more significant matters outlined below.

Pension Scheme Increases

On 22 June 2010 the government announced changes to the measure of price inflation for the purposes of determining the statutory minimum rates of increases to pensions in payment and revaluation in deferment. In future, pension scheme increases will be based on CPI (consumer price index) instead of RPI (retail price index). This was confirmed in December 2010 when the relevant statutory instrument was published.

This reflects a change in pension scheme rules and has resulted in a gain of £132.6 million being recognised as a negative past service cost within the Comprehensive Income and Expenditure Statement, in accordance with UITF Abstract 48. This does not reflect a cash gain and merely reflects a reduction in the pension scheme liability, as held on the balance sheet. As a result, the impact of this gain is reversed through the Movement in Reserves Statement and does not impact on the Board's surplus. However, the reduction in the pension liability as a result of the RPI to CPI change was partially offset by a change in the accounting treatment of injury benefits. The change dictated that the Board should be accruing for 2 elements in respect of injury benefits, one statutory element and one in respect of length of service. As the Board had previously only been accruing for the statutory element, further provisioning was required for the length of service aspect.

Provisions

Included within the financial statements are provisions totalling £3.4 million. These are principally in relation to insurance claims (£0.6 million) and costs associated with restructuring certain aspects of the Board's support service functions (£2.5 million) with certain costs having been incurred between 31 March and our audit testing in July 2011, due to commitments made in the 2010/11 financial year.

In order to recognise a provision in accordance with IAS 37, 3 criteria must be met, namely;

- An entity has a present obligation (legal or constructive) as a result of a past event;
- It is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation. The Standard notes that it is only in extremely rare cases that a reliable estimate will not be possible.

This is an area whereby management are required to exercise a significant degree of judgement. We obtained the appropriate comfort over the accounting treatment of the material balances provided for within the financial statements through undertaking procedures such as confirmation with the Board's legal department, Board and other Committee minutes and review of management's supporting working papers.

Icelandic Bank Impairment

The Board had £3.0 million invested in Heritable Bank at the time of the Icelandic bank's collapse in 2008. Heritable Bank subsequently went into administration resulting in the carrying value of the investment being impaired.

The Board took advantage of the Scottish Government Capital Finance Regulations to defer the impact of the impairment on the General Fund until 2010/11. However, reflecting the latest administrator information and in line with CIPFA guidance, the Board has recognised an impairment loss of £0.4 million in the 2010/11 Consolidated Income and Expenditure Statement. This resulted in

a reduction in the Board's general fund carry forward, at 31 March 2011. We can confirm this treatment is correct based on available guidance.

Automated Fixed Asset Module

During 2010/11 the Board introduced a new automated fixed asset module, in order to replace a manual, spreadsheet based system. This transition represented a significant challenge for management in relation to the reconciliation of fixed asset information and data migration. During our work we reviewed this reconciliation and did not identify any significant issues.

Initial benefits from this new system were identified during the 2010/11 year end process. However, further benefits will be realised in 2011/12 as more information will be available automatically and less manual interpretation will be required.

Section 3: 2010/11 Financial Performance

Financial Position

The Board's budget for 2010/11 was set at £139.9 million (2009/10 £156.7 million) to be financed primarily by precepts from the 12 constituent local authorities. The reduction in budget, from that set in 2009/10, is attributed to the transfer of Firefighters pension funding to the Scottish Government.

For the year ended 31 March 2011, the Board reported an overall deficit of £50.0 million (£38.0 million in 2009/10) in the Comprehensive Income and Expenditure Statement. However, following statutory adjustments the final financial position was a surplus of £3.5 million.

Set out below is a summary of the 2010/11 outturn position, as reflected in the financial statements:

	£m	£m
Gross Expenditure	178.0	
Gross Income	(22.1)	
Net Cost of Services		155.9
Net Operating Expenditure (including impact of loss on revaluations, interest receivable & payable and pension interest costs and returns on assets)		220.2
Funded by:		
Precepts from Local Authorities	(127.0)	
Scottish Government Grants	(43.2)	
		(170.2)
Income & Expenditure deficit for the year		50.0
Amount required to be credited to the general fund balance		(53.5)
(Increase) in the General Fund balance		(3.5)

Compared with Budget the Board achieved an underspend of £3.5 million. This underspend was principally attributable to:

- Pay awards were lower than initially forecast. Actual awards were 0% for uniform and 0.65% for support staff compared with budgeted awards of 2%, resulting in a saving of £2.103 million;
- Transfer of £1.372 million of Earmarked Firefighters Pension Reserve;
- Vacancy management; and

- The introduction of a new roster system allowing better planning has resulted in reduced overtime of £0.145 million in the year as part of an anticipated saving of £0.6 million

Capital Expenditure

Capital spend for the year amounted to £18.7million against a budget of £18.9million. This small under spend is due primarily to the timing of expenditure in relation to the new Clydesmill Training Centre.

A key focus of capital work during 2010/11 was the construction and completion of the Clydesmill Fire Station and the sale of Cambuslang which became surplus to requirements as a result and was subsequently sold during 2010/11 for a total of £0.245 million. The introduction of this new site has facilitated the merger of Cambuslang and Parkhead Fire Stations with the aim of achieving cost savings and efficiencies going forward.

Considerable spend was also noted in relation to the training centre on the Clydesmill site. This will continue until the Centre's completion, currently expected during Spring 2012.

Severance costs

During 2010/11 all members of support staff, were asked to express their interest in taking voluntary redundancy. A number of expressions of interest were received and several have been approved with termination dates phased predominantly until March 2012. As a result, severance costs recorded during 2010/11 were low, however, this situation will be expected to change during 2011/12.

Performance against Key Financial Targets

The Police and Fire Services (Finance) (Scotland) Act 2001 restricts cumulative carry forward fund balances to no more than 5% of the contributions made by the constituent authorities for that year. The Board has been given Ministerial consent for 2010/11 to extend the carry forward limit, to 3% in year and a total balance of £11.096 million cumulative, and make use of these funds going forward.

The final Board financial position, detailed below, demonstrates that for 2010/11 the Board ended the year within the revised Ministerial limits set:

Limit	Limitset %/£m	Actual %/£m carry forward
In year Carry Forward	3%	2%
Cumulative carry forward	11.096	11.096

Section 4: Financial outlook for 2011/12

2011/12 and in particular beyond is anticipated to bring significant financial challenge to all public sector organisations. The overall Scottish budget has reduced by £1.3 billion in 2011/12 and the Board is seeing a continued decrease in level of precepts received from constituent authorities. Therefore, achieving financial balance looking forward will require the delivery of challenging savings plans and continued cost improvements.

In November 2010, the Scottish Government detailed its proposed (2011/12) funding settlements for each Scottish Council. While the average Local Government reduction is 2.6%, the average reduction for the Board's constituent authorities is 2.8%. The Board's financial strategy outlines a commitment to reduce spending and therefore the income received via precepts to match the overall decline in local government funding.

The Board's budgeted revenue position for 2011/12 is summarised below:

Projected 2011/12	£m	£m
Gross Expenditure	138.797	
Gross Income	(1.292)	
Net Cost of Services		137.505
Funded by:		
Constituent Authority Contributions	123.445	
Reserves	1.000	
Scottish Government Pension Contribution Grant	13.060	137.505
Total Funding		

Achieving Budget

The Board has adopted '5 key principles' to manage its reducing income stream:

- Protect service delivery;
- Ensure firefighter safety;
- Maximise efficiency in the back office;
- Aim to avoid compulsory redundancies; and
- Consider requests for voluntary severance.

Maximising efficiency in support services and the consideration of voluntary severance requests are the two identified principles that management has highlighted as presenting the greater option to achieve cost savings. In particular, management wrote to staff in October 2010 in relation to potential

voluntary service and received 104 confirmations of interest. While a headcount reduction of this scale will give rise to significant cost savings, there may be a risk that the Board loses vital skill sets, resulting in a reduction in the quality of service delivery.

Recommendation 1

In addition, ongoing reductions in cost are anticipated from the merger of Parkhead and Cambuslang fire stations, further management restructures and further planned reduction of overtime.

In order to achieve a breakeven position for 2011/12 the Board are forecasting utilising £1.0 million from reserves. This is in accordance with the Board's Medium Term Financial Strategy and assuming the budgeted break-even revenue position is achieved during 2011/12, will leave the Board with £8.5 million of general reserves to draw upon from 2012/13 onwards. This would ensure that the general reserve balance remained in line with the approved Board policy, namely a minimum of 1.5% of constituent authority precepts.

It is noted from review of the Board's financial papers, that the Board is assuming the ability to carry forward funds greater than the 3% and 5% limits into the 2012/13 financial year and ministerial consent is still required for this.

Recommendation 2

Capital Plan

The Board has an approved capital programme in place, totalling £29.0 million. Of this £29.0 million, it is planned that £22.3 million be invested in the new training centre on the Clydesmill site. Other significant capital projects include the purchase of six new rescue pumps and three bodybuilds (£1.6 million) and the completion of the refurbishment of Kilwinning Fire Station (£1.5 million of a £1.9 million refurbishment) and Castlemilk Fire Station (£0.4 million of a £1.9 million refurbishment).

2012/13 and Beyond

The Scottish Justice Secretary's announced, on 8 September 2011, that a national Scotland-wide Fire and Rescue Service would be established. The Board are working with the Scottish Government and other Fire Board's on what the national service will look like and this is something which will be clarified over time. The Board continue to focus on continuing to deliver a best value fire service to the Strathclyde area.

For example, the Board's '2011-2015 Medium Term Financial Strategy' plots a series of assumptions and scenarios, giving high level consideration as to how these would be best dealt with by the Board in order to ensure ongoing service delivery within the financial constraints modelled.

Significant cost drivers and financial management mechanisms such as pensions, pay awards, reserve utilisation and revenue/capital grant funding have all been considered within this strategy.

Section 5: Governance and Internal Control Arrangements

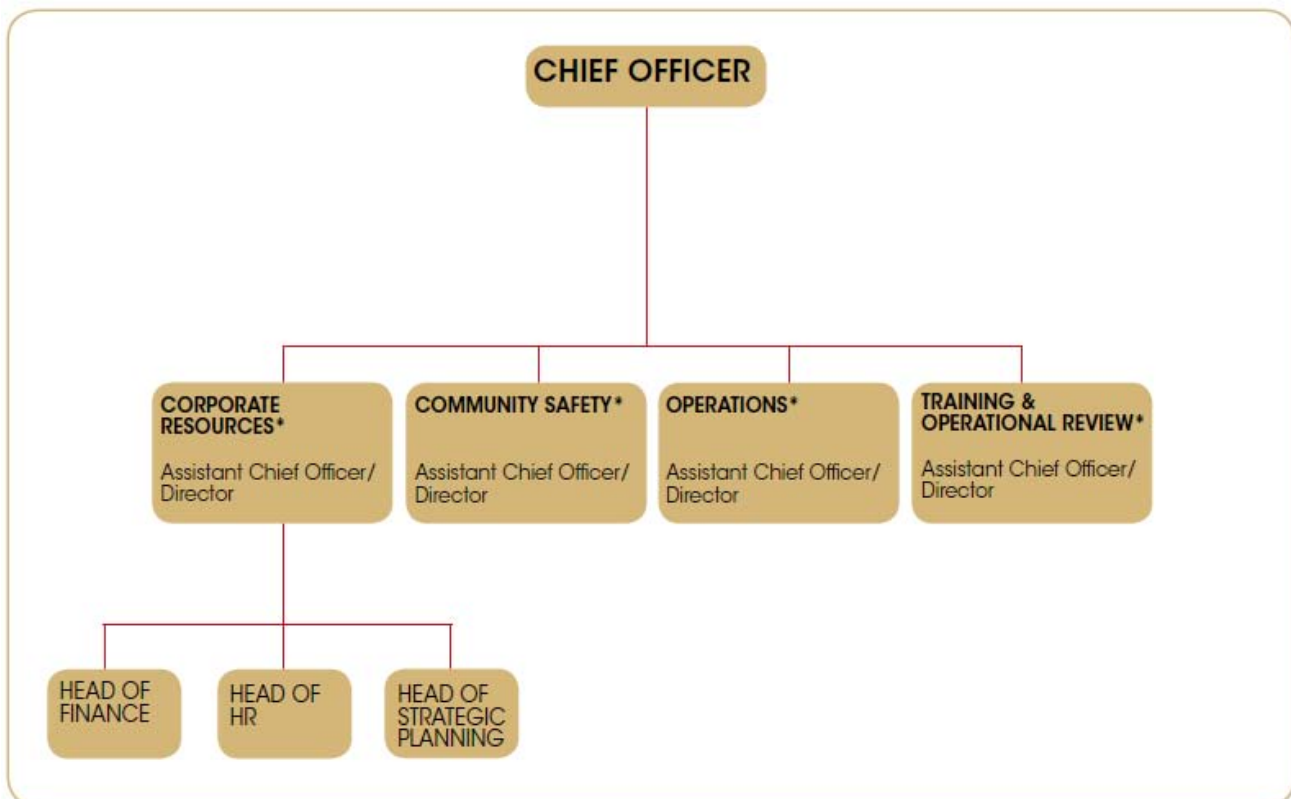
Overall Governance Arrangements

The various governance forums operating below the Board remain in place and are consistent with prior years. Key forums are: Performance and Audit Forum, the Budget Scrutiny Forum and the Employment and Equality Forum. These forums have met four times during the financial year in line with the Board's Scheme of Delegation.

The Corporate Management Team meets on a fortnightly basis, providing a link between the governance forums and operational departments. In 2009 a review was undertaken by management, on behalf of the Board to consider a revised Corporate Management Team structure. The aim of the restructure was to ensure succession planning within senior posts and achieve efficiency savings.

The revised structure resulted in a reduction in Directorates from six to four, with the Corporate Management Team reducing from seven to five at Strategic Manager level and will comprise a Chief Officer and four Assistant Chief Officers. The implementation of this restructuring will be on a phased basis from 1 November 2010 through to 2014 in order to account for retirements and required succession planning. An illustration of the change in structure is included below:

Revised structure introduced in November 2010:



It is intended by the Board that these revised management arrangements will provide stability, retaining essential experience for the medium to longer term and facilitate effective succession planning within the team ensuring continuity of service performance. In addition, these changes are estimated by management to contribute up to £235,000 per annum towards savings targets.

Chief Officer's retirement and re-employment August 2011

The Board's Chief Officer retired on 14 July 2011, and was re-employed on 14 August 2011 in the same role as Chief Officer for an expected three year period, this allowed the Chief Officer to access his pension lump sum payment but not his annual pension, which has been abated whilst he is re-employed.

Under the fire-fighters pension scheme Chief Officers can only retire before the age of 55 if the Board has given permission for retirement. In December 2009 the Scottish Public Pensions Agency advised the Board, that Chief Officers at 6 April 2006, should they retire before the age of 55 would incur a personal liability relating to an employee unauthorised payment charge (in accordance with HMRC legislation), levied off the pension lump sum received. We understand that this impacted only 9 Chief Fire Officers across the UK, including the Board's Chief Officer.

In April 2011 the Board approved the action to set aside Board funding to meet the costs of the unauthorised payment charge incurred by the Chief Officer (employee element of £206,000) alongside the employer scheme sanction charge which would be incurred (employer element of £29,000).

We have reviewed the process followed by the Board to allow the Chief Officer to retire and be re-employed and the decision to subsequently pay the employee unauthorised pension charge, under our wider external audit obligations. Outlined below are the key decisions made by the Board in respect of this arrangement:

Decision taken by the Board in June 2009 to approve retirement and re-employment

A paper entitled "*Retention of Corporate Management Experience*" was presented to the Board in June 2009 by the Chief Officer and the Clerk to the Board (a joint paper signed in both names) covering the wider succession plans for the Corporate Management Team and the Chief Officer's own position.

In relation to the Chief Officer's arrangements, the paper outlined: "*The Clerk to the Board has discussed with the Chief Officer his future career plans, and while eligible to retire in July 2011, it is proposed the Chief Officer continue in post for a 3 year period beyond the eligible retirement date in accordance with the Board's return to work policy*". It is not explicit within the paper presented that the Board had to give specific approval for retirement as the Chief Officer was not 55 or that this meant that the Chief Officer would effectively retire and be re-employed.

Following this meeting a formal letter was written on 25 June 2009 by the Clerk to the Board outlining the Board's approval for the Chief Officer to take retirement and be re-employed.

Board's HR Return to work policy

The Board's "*Flexible retirement and re-employment uniformed and support staff*" procedure, dated April 2008, sets out arrangements for retirement and potential re-employment. In particular, the procedure outlines: "*The Service will write to all employees who are eligible to retire on the grounds*

of service to advise them of their options” also “Employees who wish to make an application to retire and be re-employed must submit their request in writing using the request to retire and return to employment letter as shown in appendix 4, at least 3 months before their expected retirement date and no earlier than one year before retirement, to the Assistant Chief Officer (HR)”. From a review of papers submitted to the Board on occasions where firefighters took retirement and were re-employed, we noted that this situation would be for no more than 2 years to facilitate succession planning.

In the case of the Chief Officer, no application in writing under this policy was submitted; the conversation noted in the June 2009 Board Paper (see above) between the Clerk to the Board and Chief Officer was not formally recorded; the decision was taken 2 years, rather than 1 year or less before potential retirement; and the Chief Officer has returned on an expected 3 year contract not on the usual 2 years or less contract.

We have been informed that this 3 year contract was considered necessary by the Board to cover planning for the Commonwealth Games in 2014, and a decision on the position of the Chief Officer was necessary at this point in time (June 2009) to facilitate succession planning, bringing stability to the Corporate Management Team.

Board approval in April 2011 to provide for the Chief Officer’s unauthorised pension charge of £206,715

A paper “*to advise on a recent variation in interpretation of the Firefighters pension scheme which could impact on the Chief Officer’s retirement*”, was presented for approval to the Executive Sub Committee in February 2011, and subsequently to the Board at the start of April 2011. This paper was prepared by the Clerk to the Board included legal advice from a third party legal adviser.

The paper sets out that a potential unauthorised employee payment charge would be levied by HMRC in respect of the Chief Officer’s retirement and asked the Board to consider four options, summarised as:

- no further action at this time;
- make provision for the employer charges arising;
- make provision for the employer and employee contribution arising; or
- the Convenor speaks to the Chief Officer regarding a proportion of the unauthorised charge being met by the Chief Officer.

The Board approved the option of making a budgetary provision for both the employer and employee charge.

As a result, a provision totalling £235,000 has been included in the 2010/11 financial statements. It is emphasised that this is an accounting provision only and no payment has so far taken place. As of July 2011, this provision has been confirmed as an accurate calculation, based on information received from the Scottish Public Pension’s Agency calculated on the Chief Officer’s pension lump sum.

From review of the Executive Sub Committee (February 2011) and Board paper (April 2011), we would highlight the following:

- The possibility of an employee unauthorised payment charge was first identified in December 2009 but was not presented to the Board for discussion until April 2011. We understand this was due to the Vice Convenor raising the issue at the National Firefighters’ Pension Committee, aiming to seek resolution at a national level;
- The paper states that “*the Chief Officer has planned accordingly since the Board’s confirmation of his retirement arrangements and in consideration of HMRC guidance has asked the Clerk to bring this matter before Members*”;

- The paper did not explicitly consider the potential option of no longer allowing the Chief Officer to take retirement, and potential legal costs and implications in respect of this were not prepared at the time. However, we have been informed this was discussed with the Convenor and Vice Convenors at the time;
- The paper did not fully explore alternative options such as employing a Chief Executive rather than a Chief Fire Officer or that the post was no longer required due to possible national restructuring (efficiency argument), thereby potentially avoiding the unauthorised payment charge. However, the paper stated *“The Chief Officer and the Clerk to the Board have discussed the matter and do not consider a further organisational review to be appropriate nor to be in the best long term interests of SFR. The succession planning arrangements put in place by the Board in June 2009 have been progressed and considered by both officers to represent the best way forward for the service”*; and
- The financial range of the potential liability presented in the Board Paper (£26,715 to £206,715) is wide and a likely scenario was not presented. The unauthorised charge would only be at the lower end of the scale (£26,715) if no lump sum was taken and this option seems somewhat unlikely.

Following discussion we have held with the Clerk to the Board, Convenor and members of Management we have been informed that the Board decision was discussed and questions were asked by Elected Members during the meeting. However, the relevant Board minutes are brief and do not reflect such questioning or challenge prior to Board approval. In addition, we understand that the Treasurer was not consulted over this decision, despite there being financial implications for the Board.

Summary of findings

We can see no formal consideration within this process that alternative options, other than retirement and re-employment of the Chief Officer were considered in June 2009, nor that further options were explored and considered in February and April 2011. In addition, the Board has been unable to demonstrate to us that the Chief Officer was fully independent of the decision making process due to his noted involvement and a lack of formal available evidence to the contrary.

Overall, the level of evidence made available to us does not readily support a best value decision concerning retirement, re-employment and the potential use of Board funds to pay the Chief Officer’s £206,715 unauthorised payment charge.

Statement on Internal Control

The Code of Audit Practice requires us to review and report on the Board’s Statement on Internal Control. The Board has used the format, set out within the SORP, for its Statement and has outlined the processes in place to identify and evaluate risks. In addition, key elements of the Board’s control framework have been highlighted, such as the management information framework, financial regulations, segregation of duties and a system of delegation and accountability. Based on our normal audit procedures, we do not disagree with the disclosures contained in the Statement.

Systems of Internal Control

Over the term of our external audit appointment, we review those key financial processes and controls which could have a direct impact on the fair statement of balances within the financial statements. Our audit testing included individual walkthroughs of the specific financial processes in place. In addition, on a rotational basis, we undertake more detailed testing of certain key financial controls to ensure

that these controls continue to operate as intended. For 2010/11 our external audit work was conducted over the following areas:

- Sales and Receivables;
- Purchasing and Payables;
- Treasury and Cash Management;
- Payroll; and
- Financial Accounting for Property, Plant and Equipment.

In addition, we reviewed the Board's IT general control environment, as it relates to the core financial systems.

The results of our work on systems of internal control were communicated to the Performance and Audit Forum in our Interim Management Letter in May 2011. The report contained 5 recommendations to improve controls, none of which were graded as business critical or higher risk in nature.

Management has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion. The implementation of these actions will be considered as part of follow-up procedures undertaken as part of the 2011/12 audit process.

Performance Management

The primary forum for monitoring performance is the Board's Corporate Performance Team. The team meets quarterly, includes the area commanders and is chaired by the Deputy Chief Officer. The team has two functions:

- To consider SFR's performance as a whole
- To consider the performance of each area within SFR, to share good practice and address weaknesses.

Approximately two weeks before each meeting, the team receives the SFR Performance Report. The detailed report shows performance against each performance indicator as compared to the target for the quarter, the target for the year, and the average performance over the preceding 5 years. The information is summarised for SFR as a whole, and broken down for each area.

The data is scrutinised in the meetings. The area commanders often challenge the Performance Report if they believe that the data isn't accurate, which can occasionally arise as a result of incidents being allocated to the wrong area. Therefore the Corporate Performance Team acts as a control to ensure the validity of the data.

Abbreviated versions of the Performance Report are also presented to the Performance & Audit Forum (a scrutiny forum of the Board). Area commanders are also given more detailed information, broken down to the level of individual stations, to help them identify and address any issues.

Follow up of outstanding recommendations

In addition to our work on internal controls we followed up the Board's progress in implementing external audit recommendations made in the prior year. We identified 24 recommendations of which 16 were fully implemented and 8 were partially implemented. Our Follow up of Prior Year Recommendations Report was contained within our Interim Management Letter and considered at the Performance and Audit Forum meeting on 16 May 2011.

Fraud

The Board suffered financial loss in the period of £0.007 million as a result of a fraud perpetrated by an external party in relation to a request to change supplier bank details. Information has now been received from the Police that an individual connected to this fraud and similar frauds have been arrested and successfully prosecuted.

Bank details were amended and payment made to a third party. While controls were in place to prevent this situation from arising, it was not effective in this instance and the fraud came to light following a query from the Board's bank.

Following the Fraud, management engaged internal audit to undertake a review of the circumstances surrounding the incident. Revised procedures have been implemented by management to avoid a repeat of fraudulent activity in this area.

National Fraud Initiative

The National Fraud Initiative (NFI) brings together data from health bodies, councils, police and fire rescue bodies and other agencies, to help identify a wide range of frauds against the public sector. These include housing benefit, occupational pension and payroll frauds.

The 2010/11 NFI project is a two year programme. The Board has run both payroll and creditors data sets and in February 2011 were notified of 156 recommended matches requiring further investigation. Management noted that these investigations have been completed with no fraudulent activity being uncovered. In addition, the Board's pension administrator has identified a number of NFI exceptions which are currently being investigated.

Best Value

During November 2010, Audit Scotland published a consultation paper on the proposed Best Value audit of Scottish fire and rescue authorities and services. Following the publication of this paper it was decided that the approach taken in conducting this audit would be to produce a national summary of Best Value in fire and rescue, based on focused Best Value audit work at all eight authorities.

Reflecting the potential changes taking place with the fire and rescue services nationally, the audit will help inform a single national report based on proportionate and targeted audit work at all eight authorities and services, supported by summary local audit reports with local findings and improvement recommendations.

Audit Scotland is scheduled to undertake its Strathclyde Fire and Rescue Best Value audit in November 2011. The outcomes will provide both the Board's management and those charged with governance an opportunity to benchmark performance against other Scottish Fire Board's.

National Performance Audits

Improving Public Sector Purchasing

At the request of Audit Scotland, we were required to perform targeted follow up work on one of their National Performance Reports: *Improving public sector purchasing* (published July 2009) during the year.

As per our review we can confirm that ongoing progress is being made by the Board to further refine and strengthen its procurement arrangements.

An improvement in the Board's purchasing procedures has been demonstrated by the results of the two recent Performance Capability Assessments (PCAs), with the Board's overall score moving from 48% ('Conformance'), in 2009/10, to 61% ('Improved Performance') in 2010/11. Improvement was recorded across all eight criteria headings and is reflective of the time management have spent identifying areas of weakness and devising appropriate action plans to strengthen purchasing processes. Particular improvement was noted in respect of performance measurement and contract and supplier management, with both criteria moving from a non-conformance PCA scoring, to one of conformance.

Despite being the top performing Scottish Fire Authority in the 2010 PCA, management are seeking to improve purchasing processes yet further and have set a target of achieving 'superior' performance – a PCA score in excess of 75% - during the 2011 assessment.

Appendices

Appendix 1: Action Plan

To assist management in assessing each audit finding and recommendation, we have assessed the risk to the organisation of each of the recommendations which have not yet been fully implemented and have categorised each recommendation according to the criteria shown below:

- High** Significant control weakness requiring immediate attention by management
- Moderate** Control weakness identified which needs to be rectified but where there is no material impact on the achievement of the control objectives
- Low** Minor control weakness identified

The following recommendations have been raised within the body of this report:

Ref	Recommendation and Risk Rating	Management Response
1	<p>Action 2</p> <p>Management wrote to staff in October 2010 in relation to the possibility of implementing a potential voluntary redundancy scheme and received 104 confirmations of interest. While a headcount reduction of this scale will give rise to significant cost savings, there may be a risk that the Board loses vital skill sets.</p> <p>We would recommend that management undertake a detailed Skills Gap analysis exercise to assure themselves and their constituent members that the implementation of this programme will not lead to a reduction in the quality of service delivery.</p> <p>Risk Rating - Low</p>	<p>Agree in principle. Each Directorate has undertaken its own review of the potential gap created by the voluntary redundancy scheme and is putting in place measures to ensure that an appropriate skills base is maintained.</p> <p>Responsible Officer: Assistant Chief Officers/Heads of Function</p> <p>Implementation Date: 31 March 2012</p>
2	<p>Action 2</p> <p>Management should seek confirmation from the Scottish Government as soon as possible that the general fund balance carry forward anticipated for 2011/12 can be carried into 2012/13, as the balance anticipated is greater than the 3% and 5% carry forward limits.</p> <p>Risk Rating - Moderate</p>	<p>Agree</p> <p>Responsible Officer: Head of Finance</p> <p>Implementation Date: 31 March 2012</p>

Appendix 2: Communication to Management

International Standards on Auditing (“ISA”) (UK&I) 260 – Reporting to those charged with Governance, requires that the External Auditor communicates certain matters to those charged with governance. Those charged with Governance is taken to be the Members of the Performance and Audit Forum with responsibility discharged through the regular meetings of the Forum during the year. Summarised below are the requirements set out within ISA 260 together with reference to the relevant communication with you during 2010/11 or comments as appropriate.

Communication Required under ISA 260	Reference/Comment
Engagement Letters	Signed Engagements Letter with Audit Scotland at the start of our 5 year appointment.
Independence	2010/11 External Audit Plan, as taken to the 14 February Performance and Audit Forum, confirmed no member of audit team has any direct interest, financial or otherwise, in the Board.
Audit Approach and Scope	2010/11 External Audit Plan (14 February Performance and Audit Forum). During the year there were no changes to our plan or risk assessment that we are required to communicate with you.
Materiality	2010/11 External Audit Plan: Performance and audit forum 14 February 2011.
Form and Timing of Communications	2010/11 External Audit Plan.
Accounting Policies/Estimates/Disclosures	Sections 2 of our Annual Report to Board Members and the Controller of Audit.
Correspondence with management on significant matters	Discussed and resolved matters arising with management throughout audit process. No unadjusted differences to report.
Letter of Representation	Signed by the Treasurer on 12 September 2011.
Financial Statements Audit Opinion	Signed by the Engagement Leader on 13 September 2011.
Other matters significant to the oversight of financial reporting process	None identified.
Material Uncertainties relating to Going Concern	None identified – see going concern comments in Section 2.
Related Parties	Other than those transactions disclosed in the financial statements we have not identified any further transactions requiring disclosure.
Fraud	Discussed fraud arrangements with the Performance and Audit Forum on 14 February 2011 and management throughout audit. One fraud identified during the year and included within Section 5 of this report.
Material Weaknesses in Internal Controls	Internal Controls findings reported in our Interim Management Letter, dated May 2011, and presented to the Performance and audit forum on 16 May 2011.
Improving Public Sector Purchasing: Follow-up	Reported to Audit Scotland –September 2011.

Appendix B – Letter to Controller of Audit from Convenor of the Board



Board Offices
Almada Street
Hamilton
ML3 OAA
Tel: 01698 454669
Fax: 01698 454407

Controller of Audit
Audit Scotland
110 George Street
EDINBURGH
EH2 4LH

Our ref: SFR/6/4 SS
Your ref:
If calling ask for: Susan Somerville
Phone: 01698 454197
Date: 1 December 2011

Convenor:
Councillor Brian Wallace
Vice Convenors:
Councillor Joe Lowe
Councillor Tommy Morrison

Depute Clerk to the Board:
Robert McIlwain

Dear Sir

STRATHCLYDE FIRE & RESCUE ANNUAL REPORT

I have recently received the Annual Report to the Board of Strathclyde Fire and Rescue prepared by our appointed external auditors, PWC, and I feel it is necessary to write to you to express my disappointment that the report fails to provide a balanced or even accurate view in relation to the section about the Chief Officer's retirement and re-employment, which is the minimum I would expect and, importantly, it does not set in context the actions taken by members and officers. In light of this, as well as addressing a number of issues, I will also provide some context.

In doing so, I must express my disappointment that the auditor, having interviewed myself, the Clerk to the Board, Deputy Chief Officer and ACO (Human Resources) at length and, having received written comments on the draft report, has failed to accurately reflect the complex nature of the position the Board found itself in (including the need to balance varying factors which have come into play in this particular circumstance) and the lack of any viable alternative course of action available. It is also disappointing to note that her report failed to adequately reflect the fact that the Board sought and obtained appropriate legal advice from both a third party and the Head of Legal Services from our Lead Authority and, having done so, acted responsibly and reasonably in this matter, including seeking verification that such actions were within the powers of the Board.

I would specifically like to comment on the following issues raised in her report:-

- The report fails to note that the abatement of the Chief Officer's pension results in quantifiable benefits in a saving to the public purse of £241,425 which is the sum that would have been paid had the Chief Officer simply retired and accessed his pension. This is clearly in excess of the maximum potential payment to HMRC.
- The report fails to note that the application of an unauthorised payment charge in relation to the Chief Officer is open to challenge and the legal advice obtained by the Board advised that "there are sufficient arguments in favour of a protected pension age entitlement for the Chief Officer for it to be open to the Board to pay him pension and lump sum before age 55 on the basis that they are authorised payments for tax purposes". These arguments and the legal advice which outlines them in detail was presented to the Board and provided to the auditor, however, no recognition of it is included within the report. That advice did go on to say that there was a significant risk that HMRC would seek to apply the unauthorised payment charge and the Board agreed to make provision on that basis.
- The report fails to make clear that the Board did not take a decision to pay the charge but rather to make provision for it and in the event of a charge being levied by HMRC, the Board will determine whether to challenge payment based upon the legal advice received that such a charge in these circumstances is discriminatory and/ or not payable in terms of the relevant legislation.
- Although not contained within any of the draft reports presented to the Service by the auditor, the final report as submitted to you states that it was not explicit that the Chief Officer would effectively retire and be re-employed. I would dispute this. The paper stated that his retirement would be in accordance with the Board's Return to Work Policy. To suggest that, as elected members, we did not understand this is both insulting and inaccurate. With the benefit of hindsight, the wording could have been more explicitly stated, however, I am strongly of the belief that having done so would not have altered the decision taken by the Board at that time.
- The auditor's report states that re-employment would be for no more than 2 years, although this is not included within the Board's Policy, however, it fails to note that there are examples of employees other than the Chief Officer exceeding this period where there is specific justification and a business need to do so. In addition, the report fails to outline that it would not have been appropriate for the Chief Officer to request application of this Policy to the Assistant Chief Officer (Human Resources), his subordinate. In the case of the Chief Officer, this request required to be considered by the Board.
- Whilst the auditor was informed that it is normal for applications to be made in writing 1 year prior to the retirement date, this is to facilitate the management of the recruitment and training programme for vacancies. The Policy advises that notice should be given as early as possible. In the case of the Chief Officer, the Board held the view that a Management Team Succession Plan was both timely and necessary given the significant number of changes that had occurred and the Chief Officer's key role within the organisation. It would not be uncommon for succession planning in relation to the most senior employees to be a longer-term process than it would be for the vast majority of employees. The Succession Plan, and the decisions that flowed from it, are seen as good practice in bringing stability and certainty over a challenging period, and this was outlined to the auditor in detail during discussion

including the fact that the overall Succession Plan which the Chief Officer's retirement was part of, resulted in an annual saving to the Board of £235,000. However, as the issues surrounding the benefits of the Succession Plan as explained by myself, the Clerk, Director of Human Resources and Deputy Chief Officer, are not contained within the auditor's report, this leaves it open to misinterpretation.

- The auditor places some weight on the departure from the letter of the timescales and process provided for in the Return to Work Policy. The purpose of this Policy is to create a framework, used in most instances, so that employees and the Service can plan accordingly. In this instance, both the Chief Officer and the Board had agreed to a variation of the timescales and process as was appropriate given his seniority within the Service and the potential impact if arrangements could not be put in place to secure the stability and consistency of leadership which was deemed important in light of the challenging times ahead.
- The reasons for the delay in bringing the issue of the charges before the Board were explained in detail to the auditor. These not only included the Vice Convener raising the issue at the National Firefighters' Pension Committee but representation being made to HMRC and legal advice being sought by the Chief Officer's representative body, APFO. In addition, no reference has been made within the report to the delay by SPPA in notifying the Board of the possibility of an employee's unauthorised payment charge and after the Board's original decision taken in June 2009. The Board should not be held accountable for this lack of action by the SPPA. The Board acted in good faith at the time but had notification been received prior to the Board's original decision taken in June 2009, the matter may have had an alternative outcome although I do not believe that this would have been the case.
- The auditor's report states that the paper does not explicitly consider the potential option of no longer allowing the Chief Officer to take retirement, however, the report fails to adequately outline the reasons why this option was not considered appropriate for inclusion in the paper, including the significant risk of claims by the Chief Officer in respect of which we would have no obvious defence (such as age discrimination, breach of contract and maladministration/misrepresentation), although this was explained in some detail during interviews with the auditor.
- No doubt as you will fully appreciate, a balance was to be maintained between varying and competing factors (which ultimately impact on best value considerations), and the potential claims as a result of withdrawing from the contract with the Chief Officer were discussed with myself and Vice Conveners and are highlighted in the legal advice which was discussed at meetings of the Executive Sub-Committee and Board.
- The costs associated with these claims had the potential to exceed the provision for unauthorised payments, setting aside all other important and relevant arguments in relation to the non-financial considerations of losing the current Chief Officer at such a critical time for the Service and potential industrial relations issues. Again, with the benefit of hindsight, these potential costs could have been reported to the Board although they would only have served to strengthen even further the Board's decision in relation to this matter. The consequences for a public body of seeking to renege from commitments made can be seen clearly in the decision of the Court of

Appeal in Gibb v Maidstone & Tunbridge Wells NHS Trust [2010] IRLR 786, CA, where the Trust was criticised for withholding payments which it had agreed to pay to a senior employee under a compromise agreement.

- The audit report suggests that the Board should have fully explored the option of employing a Chief Executive rather than a Chief Fire Officer thereby potentially avoiding the unauthorised payment charge. It is somewhat disappointing to read the proposition that, as a public body, the Board should have considered measures simply to avoid a charge levied by HMRC rather than to act in the best interests of the Service. Such action is considered to be inappropriate. As Convener, I outlined to the auditor the views of the Board in relation to the importance of the position of Chief Officer, the need to ensure that the person within the role had the necessary operational skills and experience and the benefits of consistency in light of the challenges anticipated, however, this is not adequately reflected in her report. In any event, given that it was the retirement of the Chief Officer (rather than his re-employment) which triggered the potential of any charges, the proposal would not have avoided the potential of any such charges. Indeed, the re-employment of the Chief Officer has mitigated the exposure to any such charges given that his annual pension was abated.
- In relation to the financial range presented, the auditor was advised on several occasions that the likely scenario was outlined to members during the meetings and they were well aware of the extent of the provision required. However, with the benefit of hindsight, perhaps a slightly different form of words making it clear that although the range was accurate, in all likelihood the higher figure would be required, could have been used. However, it is also inconceivable that members took their decision on the basis of anything other than a belief that the potential costs would be at the upper end.
- The report is critical of Board minutes but, as outlined to the auditor, there has been no previous comment about the style of Board minutes which focus on the decision taken rather than the discussion leading to the decision. The level of debate and discussion can be verified by interviewing those present.
- The final report includes the statement that there is no formal evidence that the Treasurer was consulted during this process despite there being financial implications for the Board. This statement was not included in any previous drafts of the report sent to the Service by the auditor and, therefore, neither myself nor officers have been given the opportunity to correct this inaccuracy. For the record, I can confirm that all draft Board papers are issued to the Treasurer for comment, he or his representative attends meetings of the Board, as well as meetings held separately to finalise the Agenda and Reports for the Board that he considers necessary, and the Clerk to the Board met the Treasurer to discuss this matter with him prior to this matter being considered.
- The report fails to adequately note that the paper presented to the Board in April 2011 contained 4 options rather than a formal recommendation and legal advice outlining the consequences of withdrawing notice of retirement for the Chief Officer and reneging on our contractual obligations as explained to the auditor at various meetings. Her report does not fully reflect that alternatives were explored and

considered but were found to be unsuitable. Indeed, the alternatives suggested by the auditor have been shown to be more financially challenging than the option actually taken by the Board as outlined in Appendix A. Members of the Board were free to propose alternative courses of action to the 4 set out (although it is unclear if there are other reasonable courses) but instead they unanimously supported the same option.

- The auditor's report infers that the Chief Officer was not independent, or had too much influence, in this matter. However, it has been confirmed that the Chief Officer was not present at the Executive Sub-Committee Meeting held in February 2011, or the Board Meeting in April 2011, when the issue was discussed albeit I recognise that the Minutes do not reflect this fact. The Board can demonstrate that the Chief Officer was not involved in the decision-making of the Board, which took place at those meetings, in relation to arrangements for the retiral and re-employment of the Chief Officer. The auditor did not take the opportunity (which was offered) to verify this with the Chief Officer. I would also seek to emphasise that the Board would never prioritise the personal interests of an individual employee over the interests or obligations of the Service, even if there was any pressure from the employee to do so which was most certainly not the case in this instance.
- Given all of the above, the testimony of elected members and officers, the legal advice given and the options available to the Board, I would strongly refute the conclusion that Best Value was not obtained or considered in the decision to provide for the potential unauthorised payment charge. In the auditor's own investigation the two alternative positions offered would, in reality, have cost the Board more, as shown in Appendix A, and no other viable options have been found which would ensure that no claim could be brought against the Board and/ or Service by the Chief Officer.

In addition to the above points made in relation to the details contained within the audit report, I would wish the following general observations to be considered:-

- The strategic direction of the Board rests with myself and my 2 Vice Conveners, but all members act in the best interests of the Board and Service. Decisions taken by all Board members are about ensuring that we provide the Service with the right leadership, the right policies, the right people, the right training and development, and the right equipment so that we can achieve and maintain at all times an appropriate service delivery level in order to protect the people of Strathclyde and ultimately save lives. To suggest that members are motivated by anything other than that is to fail to understand what motivates Board members.
- The Board, in arriving at its decision, obtained written independent legal advice and further advice from the Legal Services Department of the Lead Authority. In seeking and obtaining such third party independent advice, the Board acted responsibly in carrying out its duties. The advice received clearly outlines that the decision taken was within the legal powers of the Board. It is highly questionable why the audit report does not highlight this key point.
- The auditor confirmed at a meeting with the Deputy Chief Officer held in June 2011 that the actions of the Board were within its legal power. The auditor has signed off the accounts with a clean audit certificate and failed to raise any concerns with

elected members through the Performance and Audit Forum or with officers through the normal audit process.

- On 28 October 2011 the auditor questioned, for the first time, the legality of the Board's actions but later clarified that the legality of the decision was not an issue by removing all reference to it.
- A number of areas of concern have been the subject of discussion with members and officers. The report should better reflect all aspects of the contents of discussions and evidence presented by members and officers to provide a balanced view and give the context necessary to understand the complex issue and competing factors in this circumstance. These include, for example, the reference on page 15 that the contract extension related to the Commonwealth Games in 2014 when the auditor was advised that it also related to the significant modernisation agenda around the 5 Group Duty System, the new Training Centre, national reform, the Olympic events in the Strathclyde area, and stability and consistency in leadership at a particularly important time for the Board and Service. It is unclear why these were not included in the report in order to provide appropriate context.
- A key issue for the Board was its role as an equal opportunity employer and its concerns, confirmed in the legal advice, that one of its employees (the Chief Officer) was the potential subject of discrimination on the grounds of age. To refuse consent to retirement and/ or to renege on contractual commitments made on grounds of the age of the employee and the cost of consenting to retirement or fulfilling the contractual commitments could have given rise to claims of direct and indirect age discrimination under the Employment Equality (Age) Regulations 2006 and the Equality Act 2010, for which the compensation which the Employment Tribunal award is uncapped. These key considerations were outlined in discussion with the auditor but are not covered at all in the audit report. The Board, by entering into the arrangements agreed with the Chief Officer in 2009, has mitigated its exposure to the above potential claims which, as indicated in Appendix A, are in excess of the potential exposure to the unauthorised payment charges and scheme sanction charges. Any potential liability in respect of the unauthorised payment charges and scheme sanction charges are also prospective. Therefore, the Board acted responsibly in carrying out its duties.

Unfortunately, given the numerous changes made to the audit report and the lack of inclusion of key facts and context, I do not believe this represents a balanced report on the issue and, therefore, cannot agree with its contents or conclusions.

In light of the above, the Clerk to the Board wrote to the auditor prior to her concluding her report to ask that it be amended to accurately reflect the complex nature of the position the Board found itself in, and the fact that it had acted responsibly and reasonably and within its powers. It is of great disappointment that the contents of that communication appear to have been largely ignored and I have found it necessary to raise these issues within this communication. In publishing the contents of the Audit Report on your website, I would be grateful if you would consider including a copy of this letter in order that the reader can be given a more accurate, balanced and fair view of the matter.

I and my officers would be pleased to meet with you to discuss the contents of this letter in further detail if required.

Yours faithfully

Brian Wallace.

Councillor Brian Wallace
Convener of the Board of Strathclyde Fire & Rescue

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