

Grampian Joint Fire and Rescue Board

Annual Report on the 2010/11 Audit



Prepared for members of Grampian Joint Fire and Rescue Board and the Controller of Audit
October 2011

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

Contents

Key Messages	4
2010/11	4
Outlook.....	4
Introduction.....	5
Financial statements	6
Audit Opinion.....	6
Accounting Issues	7
Outlook.....	8
Financial Position	9
Financial results	9
Financial Outlook	10
Governance and accountability	13
Corporate governance.....	13
Prevention and detection of fraud and irregularities.....	15
Outlook.....	15
Best Value and performance management.....	16
Best Value.....	16
Performance management	17
Outlook.....	19
Appendix: Action Plan.....	20

Key Messages

2010/11

We gave an unqualified opinion on the financial statements of Grampian Joint Fire and Rescue Board for 2010/11.

The board underspent its budget by £1.4 million in 2010/11. Following receipt of permission from Scottish Ministers to exceed the maximum carry forward limits for the general fund, £0.7 million of the underspend was transferred to the general fund balance resulting in a general fund balance of £2.2 million as at 31 March 2011. The remainder of the underspend was returned to constituent authorities. Actual capital expenditure in 2010/11 totalled £1.7 million which was mainly funded by the board's capital grant from the Scottish Government.

The board has appropriate corporate governance arrangements in place. Members have recently self-assessed the board against the Public Sector Improvement Framework and identified a number of strengths and areas for improvement. An action plan is currently being developed to address these areas and improve the board's ability to demonstrate Best Value.

The board has a robust performance management system in place which is capable of producing appropriate reports for all levels of the organisation. The board uploaded performance information, including the specified statutory performance indicators, onto its website in September 2011. Plans are also in place to publish an Annual Review for 2010/11. It is important that this report provides a balanced picture of Service performance and includes comparisons both over time and with other Fire and Rescue Services.

Outlook

The Scottish Government is currently consulting on its proposals to create a single fire and rescue service. While the timescales for this change has yet to be finalised, there are significant implications for the work of the board during the transition period.

It is clear that that the outlook for public spending in the medium term remains very challenging. The Scottish Spending Review 2011 indicates that significant budget reductions will continue to be required over the next few years. The board has shown a good understanding of the financial pressures it faces with current estimates requiring additional savings of £0.8 million in 2012/13. Implementation of the Integrated Risk Management Plan will enable some savings to be made, but the board acknowledges that this alone is unlikely to achieve a balanced budget. Continuing to deliver vital public services within reducing budgets will be a significant challenge for the board.

Audit appointments are made by the Accounts Commission, either to Audit Scotland staff or to private firms of accountants, for a five year term. 2010/11 is the last year of our current audit appointment to the board and we would like to thank officers and members for their assistance during the last five years.

Introduction

1. This report summarises the findings arising from the 2010/11 audit of Grampian Joint Fire and Rescue Board. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinion on the financial statements, conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. Appendix A is an action plan setting out the high level risk we have identified from the audit. Officers have considered the issue and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the board understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management actions and have a mechanism in place to assess progress.
3. This report is addressed to the members and the Controller of Audit and should form a key part of discussions with the board. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate.
4. Audit is an essential element of accountability and the process of public reporting. This report will be published on our website after consideration by the board. The information in this report may be used for the annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and presented to the Local Government and Communities Committee of the Scottish Parliament.
5. The management of the board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

6. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
7. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
8. Auditors review and report on, as appropriate, other information published with the financial statements, including the explanatory foreword, statement on the systems of internal financial control and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit of the financial statements.

Audit Opinion

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

Legality

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

Statement on the system of internal financial control

11. A Statement on the System of Internal Financial Control is included within the annual financial statements, and highlights the Treasurer's view that reasonable assurance can be placed upon the adequacy and effectiveness of the Joint Board's internal control system. No areas have been highlighted as requiring improvement.
12. In accordance with good practice, the statement is supported by a high level review of the adequacy and effectiveness of internal financial controls undertaken by internal audit. The statement complies with accounting requirements and is consistent with the findings of our audit.

Remuneration report

13. We are satisfied that the remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011. The disclosures within the 2010/11 financial statements include all eligible remuneration for the relevant officers and elected members.

Accounting Issues

14. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010 Code). We are satisfied that the board prepared the 2010/11 financial statements in accordance with the 2010 Code.

Accounts submission

15. The unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. Final accounts preparation procedures and working papers were generally good and this enabled the audit to progress smoothly. Audited accounts were finalised prior to the target date of 30 September and were presented to board members on that date.

Prior year adjustments

16. The 2010/11 financial statements have been prepared in accordance with the 2010 Code which is based on International Financial Reporting Standards (IFRS) instead of the previous practice of preparing financial statements under UK Generally Accepted Accounting Practice (GAAP). This transition required prior year adjustments to the 2009/10 audited financial statements and the restatement of the 1 April 2009 opening balance sheet position. The main areas that required restatement included the treatment of capital grants, the inclusion of an accrual for employee benefits such as annual leave and flexitime, and the reclassification of leases. These changes resulted in the net liability position of the board as at 31 March 2010 changing from £130.2 million to £119.7 million. The accounting nature of these adjustments means that there was no change to the board's general fund balance.
17. A prior year adjustment was also made to correct losses on the revaluation of buildings which had been erroneously charged to the revaluation reserve in previous years. Although the correction (£1.1 million) required to be charged to the Comprehensive Income and Expenditure Statement, there was no impact on the board's general fund balance.

Presentational and monetary adjustments to the unaudited financial statements

18. The board adjusted the unaudited financial statements to reflect all of our audit findings. The overall impact of these changes was to reduce the Comprehensive Income and Expenditure Statement surplus for the year by £1.8 million and reduce the board's net worth by £70,000. There was no impact on the general fund balance. A number of amendments were also made to improve the presentation of the financial statements.

Post balance sheet events

19. On 7 September, the Scottish Government announced its plans to legislate for the creation of a single fire and rescue service in Scotland. The 2010/11 financial statements do not contain a post balance sheet event disclosure in respect of this announcement as the accounts were certified on 31 August 2011. The exact details, timing and impact of these changes on Grampian Joint Fire and Rescue Board are not yet known.

Going concern

20. The board's balance sheet as at 31 March 2011 has an excess of liabilities over assets of £111.4 million due to the accrual of pension liabilities in accordance with International Accounting Standard 19 (IAS19). The Overview of the Joint Board's Finances on page 13 of the Statement of Accounts confirms that the board has adopted a 'going concern' basis for the preparation of the financial statements as the accounting requirements for pensions do not impact on the underlying basis for meeting the board's current and on-going liabilities. Future pension liabilities will be met, as they fall due, by contributions from employees and constituent authorities in the normal way. We are satisfied that the process the board has undertaken to consider going concern is reasonable.

Whole of government accounts

21. The whole of government accounts are the consolidated financial statements for all branches of government in the UK. The board submitted the consolidated pack to the Scottish Government prior to the deadline of 29 July and the audited return was submitted by the deadline of 30 September.

Outlook

Audit appointment for 2011/12

22. Audit appointments are made by the Accounts Commission, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment and we would like to thank officers and members for their assistance during the last five years. The procurement process for the next five years was completed in May 2011. From next year (2011/12) Deloitte will be the appointed auditor for Grampian Joint Fire and Rescue Board.

Financial Position

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

Financial results

Budgetary control

26. The board's net operating expenditure in 2010/11 was £25.5 million, an underspend of £1.4 million (5.3%) against budget. The Treasurer summarises performance against the revenue budget in his Overview of the Joint Board's Finances on page 10 of the Statement of Accounts. The majority of the underspend relates to reduced employees costs resulting from lower than budgeted pay awards and staff vacancies.
27. With effect from 1 April 2010, the Scottish Government introduced the Firefighters' Pension Account which each fire and rescue service must maintain to record payments made and income received in respect of firefighters' pensions. The board made pension contributions totalling £2.2 million into this Account during 2010/11.
28. The board's total net operating expenditure, including pension contributions, totalled £27.7 million in 2010/11. This differs from the Net Cost of Services figure disclosed in the Comprehensive Income and Expenditure Statement of £16.4 million by £11.3 million because reports prepared for the board's monitoring purposes are prepared on a different basis from the accounting policies used in the financial statements. Note 23 to the accounts, which reconciles the figures in the budget performance report to the figures in the Comprehensive Income and Expenditure Statement, shows that the majority of this difference is due to retirement benefits which are based on cash flows in the budget monitoring reports but on the current service costs of benefits accrued for the year within the accounts, and capital investment which is accounted for as it is financed in the budget, but when the assets are consumed within the accounts.

29. Capital expenditure totalled £1.7 million in 2010/11. Significant areas of capital expenditure included £0.2 million to complete the Hot Fire Training Units and £0.8 million on the purchase of appliances and other vehicles. This was funded by government grants of £1.5 million and other contributions of £0.2 million. Capital grant of £60,000 has been carried forward to 2011/12.

Reserves and funds

30. The board maintains a general fund to support future years' expenditure and as a contingency for unexpected events or emergencies. The Police and Fire Services (Finance) (Scotland) Act 2001 makes provision for police and fire boards to carry forward unspent balances from one financial year to the next. The amount carried forward in any year, when added to the accumulated amount brought forward should not exceed 5% of the constituent authorities' contributions for that year. These unspent balances are held in the general fund.
31. The board's reserve strategy is to retain the maximum permitted under the legislation each year. Due to reduced requisitions, the maximum permitted carry forward for 2010/11 was £1.3 million, £0.2 million less than the general fund balance as at 31 March 2010. Given the financial pressures facing all public sector bodies, the board sought permission from Scottish Ministers to exceed the carry forward limits and add any unspent balances in 2010/11 to the general fund to assist with future year's expenditure. Approval was granted to carry forward £0.7 million of the £1.4 million underspend for 2010/11 with the remainder returned to constituent authorities. As a result, the general fund balance totalled £2.2 million (8% of requisitions) as at 31 March 2011.

Efficiency savings

32. Under the Scottish Government's 2008 financial settlement, all fire and rescue services were expected to make 2% year on year efficiency savings over the three years to 31 March 2011. In 2010/11, the board did not meet this target but did make new efficiency savings of £0.4 million (1.5% of budget). When added to recurring efficiency savings brought forward from 2009/10, the board made a total of £0.7 million of savings over the three year period. This equates to 3% compared to the target of 6% of the 2008/09 baseline figure. In the current financial climate, it is essential that the board continues to deliver efficiency savings in order to minimise the impact on service provision.

Financial Outlook

33. As noted at paragraph 19, the Scottish Government has announced plans for legislation to create a single fire and rescue service in Scotland. The timescales for this change has yet to be finalised and in the meantime the board continues to be responsible for delivering a fire and rescue service to the Grampian area.

Revenue Budget for 2011/12

34. The board's revenue budget for 2011/12 was developed taking into consideration the Scottish Government's budget announcement in November 2010 and the wider financial pressures in the public sector. The revenue budget was set at £27.9 million, a reduction of 4.2% on the previous year. The board has achieved this through reduced staff costs due to the removal of some non-essential posts, the introduction of a vacancy factor and a zero pay award, and by scrutinising every budget line for potential savings. The August 2011 budget monitoring report projects an underspend of £0.6 million as at 31 March 2012 which is mainly due to a number of crew manager vacancies and lower than budgeted insurance costs.
35. Revenue expenditure for the year is to be funded by a Pensions Grant of £2.2 million, requisitions from constituent councils of £24.7 million and the use of £1 million of reserves. Whilst the use of reserves in this manner has reduced the level of requisitions required from each constituent council for the year by 8.3%, the potential financial risks which reserves mitigate against has transferred from the board to constituent authorities in the event that any unforeseen circumstances arise which cannot be contained within remaining reserves.
36. The board has recognised that the use of reserves is not a sustainable long term strategy. It is intended to use reserves as a short term measure to allow the board to continue to develop strategies to deliver savings and reduce costs. These strategies need to be fully assessed against the board's Integrated Risk Management Plan which was approved in January 2011.

Financial forecasts beyond 2011/12

37. Looking ahead, it is clear that the outlook for public spending in the medium term remains very challenging. The Scottish Spending Review 2011 indicates that significant budget reductions will continue to be required over the next few years. The board has shown a good understanding of the financial pressures it faces with current estimates requiring additional savings of £0.8 million in 2012/13. The Integrated Risk Management Plan is already resulting in changes which will reduce this gap and further areas of potential savings continue to be explored. The board acknowledges, however, that these measures alone are unlikely to achieve a balanced budget and thus continuing to deliver vital public services within reducing budgets will be a significant challenge for the board.

Refer to action plan no. 1

Capital Plan

38. The board's 2011/12 capital programme was approved by the board in January 2011 on the basis of anticipated capital funding. Once the level of capital funding was confirmed by the Scottish Government the board agreed a revised capital programme for 2011/12 in June 2011. The 2011/12 capital budget was set at £1.7 million, the same level as in 2010/11. This will be funded primarily by capital grant (both received in year and carried forward) and by anticipated capital receipts.

Pension funding

39. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, and the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. In accounting for pensions, IAS19 is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying for them, even if the actual payment will be made years into the future. This requirement results in large future liabilities being recognised in the annual accounts.
40. The firefighters' pension scheme and the injury benefit pension scheme are both unfunded and, therefore, have no assets to be valued. At 31 March 2011, the present value of the schemes' liabilities was £153.1 million and £6.3 million respectively, decreasing from £159.7 million and £7.1 million in the previous year.
41. The board's estimated pension liabilities for civilian staff at 31 March 2011 exceeded its share of the assets in the North East of Scotland Pension Fund by £4.4 million, decreasing from £4.9 million in the previous year. This liability will be made good by increased contributions over the remaining working lives of the employees, as assessed by the scheme's actuary. The actuary has recommended that the board's contributions should be 19.3% of pensionable pay in 2011/12.
42. The decreases in the board's pension liabilities are due to a change in one of the financial assumptions used by the actuaries following the UK Government's decision to link future pensions' increases to the consumer price index (CPI) rather than the retail price index (RPI). In addition to decreasing the pension liabilities, this change also impacts on the Comprehensive Income and Expenditure Statement with the inclusion of a past service gain of £14.5 million within Non Distributed Costs. There is no impact on the board's general fund balance.

Governance and accountability

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

Corporate governance

Processes and committees

47. Corporate governance is concerned with structures and processes for decision making, accountability, control and behaviours at the upper levels of the organisation. The board has a responsibility to put arrangements in place for the conduct of its affairs, ensure the legality of activities and transactions and to monitor the adequacy and effectiveness of these arrangements in practice. Our review found that the board has many aspects of a sound corporate governance framework in place.
48. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. The scrutiny committee has oversight of the financial resources and receives revenue and capital monitoring reports at each meeting. The approval of budgets and capital expenditure in excess of £0.5 million is reserved for the full Board. The responsibilities of the Chief Fire Officer, Treasurer and the Board are set out in Financial Regulations.
49. In June 2011, the committee agreed to undertake an investigation into the operation of the First Responder Scheme. Terms of reference have been agreed and a report on the scheme is expected to be presented to the December meeting for discussion and review.

Member training

50. The Accounts Commission recommends that local authorities give priority to the continuous professional development of their members. Member development was identified as an area for improvement as part of the board's Best Value self-assessment (see paragraphs 69 & 70 for details), and will be addressed as part of the action plan arising from that review.

Internal control

51. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the board's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
52. Internal audit plays a key role in the board's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. The board's internal audit service is provided by Aberdeenshire Council under a service level agreement.
53. Each year we undertake an overview of internal audit arrangements which includes an assessment of whether or not we can place reliance on internal audit work in order to reduce our own input. Our assessment confirmed that the section operates in accordance with the CIPFA code of practice for internal audit in local government.
54. Auditing standards encourage internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible. As set out in our 2010/11 Annual Audit Plan, we planned to place reliance on internal audit's work on retained firefighters' payroll and purchasing & creditor payments. Our review of internal audit's work in these areas concluded that we could take assurance from the work undertaken.
55. We also placed reliance on the Chief Internal Auditor's Annual Report conclusion that 'reasonable assurance can be placed upon the adequacy and effectiveness of the Service's internal control system in the year to 31 March 2011.'

Risk Management

56. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks. Risk management supports decision making and contributes to performance.
57. Although the board has had a Risk Reduction Strategy in place since September 2008, we noted in our Annual Audit Plan that further work was required to develop a corporate risk register. A draft risk register was discussed by the corporate management team in May 2011, with a finalised register expected to be approved in November 2011.

Prevention and detection of fraud and irregularities

58. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
59. The board has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption. These arrangements include codes of conduct for elected members and staff, an anti-fraud policy including a strategy for prevention and detection of fraud and corruption and a whistle blowing policy.

National Fraud Initiative in Scotland

60. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. The board received potential fraud data matches in February 2011 and has made good progress in following these up. To date no frauds have been identified.

Outlook

61. The Scottish Government is currently consulting on its proposals to create a single fire and rescue service. While the timescales for this change have yet to be finalised, there are significant implications for the work of the board during the transition period. The board should consider what arrangements should be put in place to ensure there is proper governance for decisions relating to the transfer of staff, assets and other resources to the new organisation, as well as continuing to exercise its statutory responsibilities in relation to the continued delivery of fire and rescue services.

Best Value and performance management

62. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
63. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning. Auditors of local government bodies also have a responsibility to review and report on the arrangements that audited bodies have to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
64. As part of their statutory responsibilities, the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
65. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
66. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
67. This section includes a commentary on the best value / performance management arrangements within the board. We also note any headline performance outcomes and measures used by the board.

Best Value

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

Self-evaluation arrangements

69. In June 2010, the Board agreed to use the Best Value in Public Services questionnaire to self-assess its performance in achieving Best Value. Two assessment sessions were held in February 2011 involving members of the scrutiny committee supported by senior staff. Assessment was made against 33 areas of good practice to identify strengths and areas for improvement, and the evidence available to support each assessment was recorded. Areas of good practice identified by members included:
- Leaders make sure the organisation has a clear set of core values and align these to long term outcomes
 - Leaders have established clear governance and accountability arrangements
 - Leaders review their own performance and are supported to improve their performance
 - The service's policies, strategies and plans are reviewed and improved
 - The service has an effective performance management framework
 - The service reports on its performance
 - The service has effective financial management
 - The service manages its assets efficiently and effectively.
70. Following the assessment sessions a draft action plan was developed setting out the areas for improvement and this was submitted to the full Board in June 2011. The Board agreed that the scrutiny committee should continue to take the lead in this area by identifying appropriate actions to address each of the areas for improvement. Further meetings of the scrutiny committee are planned for the autumn to enable the action plan to be completed. This will then be reported to the full Board for consideration and approval.

Performance management

71. The board developed an in-house performance management and reporting system during 2009/10 and this system has continued to operate throughout 2010/11. The system allows staff to view performance information relevant to all levels of the Service – from individual stations, Departments, the Corporate Management Team and reports for the Scrutiny Committee.
72. During 2010/11, the board reviewed its performance indicators against its current and proposed objectives. As a result, the number of indicators has been reduced from 74 to 50 and specific targets, based on past trends and the level of performance required to meet the desired outcomes, have been established. A mixture of statutory performance indicators, national indicators and local indicators have been agreed for each of the board's five strategic themes:
- Reducing Risk (17 indicators)
 - Communicating More Effectively (5 indicators)
 - Maximising Staff Potential (14 indicators)

- Working More Effectively (9 indicators)
- Equality and Diversity (5 indicators)

73. Each indicator has a named officer who is responsible for the collecting of the performance information, inputting it to the system, and undertaking a 'sense check' of the data. The officer is also responsible for providing a brief commentary on the figures and on any movements/trends the indicator shows over time. An annual performance monitoring report is presented to the full Board with six monthly performance reports presented to the scrutiny committee.

Overview of performance 2010/11

74. The annual monitoring report for 2010/11 was presented to the full Board in June 2011. Key messages included:
- the total number of incidents resulting in casualties decreased slightly from 137 in 2009/10 to 128 in 2010/11
 - the numbers of accidental dwelling fires decreased from 594 in 2009/10 to 526 in 2010/11
 - there was a significant decrease in the number of people rescued from a life risk incident during 2010/11. This was due to the significant flooding incidents in Aberdeenshire and Moray during September and November 2009
 - the percentage of calls handled in less than two minutes increased slightly during 2010/11. This indicator has been consistently around 97% over the last 3 years
 - the net revenue cost of the service per head of population in 2010/11 was £54.46, a fall of 3% from the cost in 2009/10 (£56.10).

Statutory performance indicators

75. Each Fire and Rescue Service is required to report a range of information sufficient to demonstrate that it is securing best value in relation to community fire safety, intervention in response to emergency incidents, staff and equalities and diversity. The information to be reported includes 3 specified statutory performance indicators on fire casualties, accidental dwelling fires and sickness absence.

Community fire safety specified statutory performance indicators

76. The rate of incidents per 10,000 of the population resulting in casualties has decreased from 2.5 in 2009/10 to 2.3 in 2010/11. The number of fatal and non-fatal casualties per 10,000 of the population has also decreased from 3.3 in 2009/10 to 3.2 in 2010/11. Accidental dwelling fires per 10,000 have decreased from 11.0 in 2009/10 to 9.7 in 2010/11. These decreases have been attributed to the success of the Service's risk awareness campaigns.

Sickness absence specified statutory performance indicators

77. The days lost due to sickness and light duties per fire officer have reduced from 8.6 in 2009/10 to 7.1 in 2010/11. Working days lost to sickness for all other staff have also decreased from 9 per employee in 2009/10 to 6.3 in 2010/11. These decreases in absence have been attributed to better absence procedures and follow ups.

Public performance reporting

78. The board has a statutory duty to make arrangements for reporting to the public on the outcome of the performance of their functions as set out in the Local Government in Scotland Act 2003. Statutory guidance on Best Value requires local authorities to manage performance effectively with a view to continuous improvement. This should reflect the local context in which they operate and their own particular priorities.
79. The board published the specified statutory performance indicators on its website in September 2011 alongside the indicators contained in the annual monitoring report (see paragraph 74 above). We have been advised that the board intends to publish an Annual Review for 2010/11. It is important that this report provides a balanced picture of Service performance and includes comparisons both over time and with other Fire Services.

Outlook

80. As highlighted at paragraph 61 the Scottish Government is currently consulting on its proposals to create a single fire and rescue service. While the timescales for this change have yet to be finalised, there are significant implications for the work of the board during the transition period.

Appendix: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	37	<p>Financial planning</p> <p>The board has shown a good understanding of the financial pressures it faces with current estimates requiring additional savings of £0.8 million in 2012/13. The Integrated Risk Management Plan is already resulting in changes which will reduce this gap and further areas of potential savings continue to be explored. The board acknowledges however, that these measures alone are unlikely to achieve a balanced budget.</p> <p><i>Risk: the board may not be able to sustain the current level of services in the future.</i></p>	<p>GFRS will work with constituent authorities to put in place a sustainable budget for 2012/13 which will continue to allow us to deliver against our agreed response standards.</p>	Head of Finance	31 March 2012