

Highland and Islands Fire Board

Annual report on the 2010/11 audit



Prepared for Members of Highland and Islands Fire 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, use of resources and performance	16
Management arrangements	16
Overview of performance in 2010/11.....	17
Outlook	19
Appendix A: Action plan	20

Key messages

2010/11

In 2010/11 we audited the financial statements and looked at aspects of governance and performance within Highland and Islands Fire Board (the board). This report sets out our main findings.

We have given an unqualified opinion on the financial statements of Highland and Islands Fire Board for 2010/11.

The board registered an underspend in 2010/11 of £0.726 million, £0.375 million of which was transferred to the general fund balance for contingencies and to supplement revenue and capital spending in future years. The General Fund balances at 31 March 2011 was £1.300 million, the maximum carry forward special limit granted to the Board for 2010/11.

Actual capital expenditure in 2010/11 totalled £2.652 million, £0.070 million lower than the planned investment due to lower than expected costs incurred in some capital projects.

The board has appropriate corporate governance arrangements in place. Members continue to undergo training on how they can be more effective in their scrutiny role and to enable them to be constructive contributors to the success of the organisation.

The board's existing procurement activities are under-developed but the procurement section is focussed on what it is trying to achieve in the next three years and has clearly laid a path of travel towards improving its capabilities.

Overall, we believe that the board has taken a strategic approach in its performance reporting arrangements and has put measures in place to ensure the complete and accurate collating and reporting of performance information which is relevant and up to date. There is opportunity however to include reporting to cover the more BV-type indicators to demonstrate the board's commitment to continuous improvement.

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.

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 is the summary of our findings arising from the 2010/11 audit of Highland and Islands Fire 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 risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the board understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management 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 Best Value and Audit Working Group. 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 Best Value and Audit Working Group. 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 Highland and Islands Fire Board for 2010/11 give a true and fair view of the state of the affairs of the board as at 31 March 2011 and of the income and expenditure 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 systems of internal financial control

11. We are satisfied with the disclosures made in the statement on the systems of internal financial control and the adequacy of the process put in place by the board to obtain the necessary assurances. The statement reflects the more significant internal audit findings (Grades 1 and 2) which were yet to be completed by the board as at the date the draft accounts were issued. We are satisfied that the above weaknesses did not impact on the financial statements and that the board has processes in place to address these weaknesses and we will review the results of any follow up work performed by internal audit.

Remuneration report

12. 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 board officers and elected members.

Accounting issues

13. 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

14. The board's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. Some working papers were also made available to us at that time, but we also had to request additional information and analyses to enable us to conclude the audit and certify the financial statements by the target date of 30 September 2011. The financial statements are now available for presentation to members and for publication.

Prior year adjustments

15. 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 a prior year adjustment to the 2009/10 audited financial statements and the restatement of the 1 April 2009 opening balance sheet position. The main areas that required restatement include the treatment of capital grants and the inclusion of an accrual for employee benefits such as annual leave and flexitime. These changes resulted in the net liabilities position of the board as at 31 March 2010 changing from (£78.791) million to (£63.992) million, however the accounting nature of these adjustments means that there has been no change to the usable reserves of the board.

Presentational and monetary adjustments to the unaudited financial statements

16. A number of adjustments have been made to the 2010/11 unaudited financial statements in accordance with normal audit practice. These adjustments primarily relate to: reclassifications of grants from income to creditors, presentation of pension costs in line with the Best Value Accounting Code of Practice and correction to some negative balances on the Revaluation Reserve. Whilst the adjustment on grants reduced the General Fund balance by £0.045 million, the other adjustments had no impact on the General Fund or on

the overall surplus on the Comprehensive Income and Expenditure Statement. A number of presentational amendments have also been processed to improve the disclosures within the financial statements.

Post balance sheet events

17. The 2010/11 financial statements contain the necessary post balance sheet event disclosure in respect of the recent announcement of the Scottish Government of its plans to legislate the creation of a single fire service in Scotland. The exact details, timing and impact of these changes on the Highland and Islands Fire Board are not yet known.

Going concern

18. The board's Balance Sheet at 31 March 2011 has an excess of liabilities over assets of £41.180 million due to the accrual of pension liabilities in accordance with International Accounting Standards 19 (IAS 19). The Explanatory Foreword by the Treasurer to the board on page 9 of the Statement of Accounts confirms that the board has adopted a 'going concern' basis for the preparation of the financial statements as future actuarial valuations of the pension fund will consider the appropriate employer's rate to meet the fund's commitments. The constituent authorities of the board are liable to fund the board's liabilities as they fall due. We are satisfied, therefore, that the process which the board has undertaken to consider the organisation's ability to continue as a going concern is reasonable.

Whole of government accounts

19. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The board submitted the consolidated pack to the Scottish Government (SG) prior to the deadline of 29 July and the audited return was completed by the audit deadline of 30 September. Whilst officers have confirmed that supervisory review is carried out on the return prior to its submission to the SG, there is no formal evidence to back this up.

Outlook

Audit appointment for 2011/12

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

Financial position

21. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
22. 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.
23. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

Budgetary control

24. The board's net operating expenditure in 2010/11 was £21.640 million. Contributions from constituent authorities during the year was £22.015 million and the balance of £0.375 million was transferred to the general fund. The board's net budgeted expenditure in 2010/11 was £22.366 million giving a net underspend of £0.726 million. In the Explanatory Foreword, the Treasurer had explained the main reasons for the budget underspend as follows:
 - staff and administration costs were lower by £0.716 million mainly due to a pay and recruitment freeze.
 - property costs were overspent by £0.136 million due to increased maintenance expenditure and additional leased premises in Inverness
 - the underspend in supplies and services of £0.117 million was due to efficiencies and procurement savings.
25. The net operating expenditure of £21.640 million (see par 24 above) is different from the Net Cost of Services in the Comprehensive Income and Expenditure Statement of £17.591 million by £3.676 million. This is because reports prepared for the board's monitoring purposes are prepared on a different basis from the accounting policies used in the financial statements, for example, capital investment is accounted for as it is financed, rather than when the assets are consumed and retirement benefits are based on cash flows rather than the current service costs of benefits accrued in the year. Note 18 to the accounts reconciles

the figures in the budget performance report to the figures in the Comprehensive Income and Expenditure Statement.

Financial position

26. Under the Fire and Fire Services (Finance) (Scotland) Act 2001, the board is entitled to carry forward any unused amounts to the value of 3% of the contributions paid by constituent authorities in the year subject to a 5% limit on the cumulative balance. The board can only exceed these percentages with the approval of the Scottish Ministers. In February 2011 the board received ministerial approval to carry forward unspent resources amounting to £1.3 million from 2010-11 into 2011-12. In reaching his decision, the Minister noted that these are exceptional circumstances, but also cautioned that approval on this occasion should not indicate that carry forwards will be routinely approved in future years.
27. At the start of 2010/11 the board's general fund balance was £0.925 million. During the year, it utilised the earmarked pension commuted sums balance of £0.016 million. From the underspend during the year (£0.726 million), the board carried forward £0.375 million taking its general fund balance up to the maximum allowed of £1.300 million. This balance is retained for contingencies and to supplement revenue and capital expenditure in future years.
28. Capital expenditure in 2010/11 totalled £2.652 million financed by capital grant of £2.643 million with the balance of £0.009 million being funded from revenue. The 10% balance on the capital grant received in year of £0.294 million is being carried forward into next year as capital grant unapplied which is a usable reserve.
29. There was a small underspend of £0.70 million against the budgeted expenditure of £2.722 million contained in the capital expenditure programme in 2010/11. This is mainly due to lower than expected costs in relation to the mobile data terminals fitted to appliances, intranet development and pager replacements.

Financial outlook

30. On 7th September the Scottish Government announced its plans for legislation to create a single fire authority 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 service to the Highland and Island areas.

Revenue budget for 2011/12

31. The board, like all public sector organisations, faces a very challenging financial climate. In line with the expectation from local authorities, the budget for 2011/12 has reduced by 2.6% from 2010/11. For the board, this equates to £21.786 million which assumed efficiency savings of £0.796 million mainly from: zero pay increase (£0.165 million), restructure of operational posts (£0.182 million), deferral of single status (£0.180 million - see paragraph 32

& 50), and reduction in loan charge interest, staff management and procurement for the balance (£0.269 million).

32. Based on the latest revenue monitoring statement, projected outturn for 2011/12 is showing an overspend of £0.382 million due to unforeseen expenditure of:
- £0.258 million to meet the required health & safety (H&S) standards following an Internal Audit review of this area.
 - additional funding of £0.090 million in respect of the impact of “Prevention of Less Favourable Treatment for Part Time Workers” and
 - £0.050 million implementation costs in respect of single status

Capital plan

33. The board has a 3-year capital plan for 2011/12 to 2013/14. The capital budget for 2011/12 originally approved in January 2011 was £2.165 million to be funded by a grant of £1.8 million, £0.165 million top slice grant carried forward from 2010/11 and the balance of £0.2 million from capital receipts in year. Subsequently, 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) would be used as a contribution to capital. The net excess was £0.351 million and as agreed this will be used to boost capital investment in 2011/12. Outline capital plans for 2012/13 and 2013/14 are in the region of £1.9 million per year mainly funded from the expected capital grant allocation formula of £1.8 million.
34. The level of capital investment required by the Board to make its asset base fit for purpose is substantial:
- 35 stations require considerable investment to bring them up to an acceptable standard
 - a fleet of 158 vehicles and operational equipment requiring 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.
 - complex IT and communications infrastructure also in need of investment to make them effective.

Refer Action Plan No. 1

Pensions funding

35. Financial planning and accounting for the costs of pensions present 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 numerous 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 them, even if the actual

payment will be made years into the future. This requirement results in large future liabilities being recognised in the financial statements.

36. The actuary makes a number of assumptions in calculating pension costs. In our 2009/10 report to members we highlighted that no review of the assumptions or rates applied by the actuary is carried out to ensure the board is satisfied that these are appropriate to local circumstances. In discussions with pensions officers this year, we were advised that there are close working relationships with the actuary to ensure that local circumstances are taken into account. We also requested a specific representation from the administering authority for The Highland Council Pension Fund, that they are satisfied that the assumptions made by the actuary agree with local circumstances
37. The fire fighters pension scheme is unfunded and, therefore, has no assets to be valued. Note 21 to the Accounts highlights that the present value of scheme liabilities at 31 March 2011 is £75.008 million (£93.953 million at 31 March 2010). As the scheme is unfunded, the pension liability will fall to be met by serving fire fighters' contributions and by taxpayers in the future (through constituent authorities' contributions and/or pension grant from the Scottish Government).
38. The actuary has conducted a full valuation of the fire fighters pension schemes at 31 March 2011. A number of assumptions in calculating pension costs, for example, demographic assumptions, price and salary increases are made. The post retirement mortality assumptions have been adjusted to show longer life expectancies to reflect the actual experience of the schemes. An assumption that 50% of retirees will opt to take a larger lump sum in return for a reduced annual pension was maintained.
39. The board's estimated pension liabilities for support staff at 31 March 2011 exceeded its share of assets in the Highland Council Pension Fund by £1.842 million (£3.922 million at 31 March 2010).

Governance and accountability

40. 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.
41. 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.
42. 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.
43. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

44. 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 board has oversight of the financial resources and receives revenue and capital budgets monitoring at each meeting. The responsibilities of the Chief Fire Officer, Treasurer and the Highland and Islands Fire Board in relation to budget monitoring and review are set out in Financial Regulations.
45. The board has a Best Value and Audit Working Group (BVAWG) with a remit to:
 - scrutinise policy and resources
 - consider audit and inspection reports (internal and external)
 - consider service performance against stated plans, targets and objectives.
46. The BVAWG is generally well attended by members and officers who respond to queries.
47. The board's Code of Corporate Governance was recently reviewed and updated in line with the 2008 CIPFA and SOLACE Guidance Note for Scottish Authorities – Delivering Good Governance in Local Government (2007).

Members' training

48. In March 2010, members endorsed the Best Value Scrutiny Review Process, based upon the following five key strategic frameworks:
- financial resources
 - service delivery
 - workforce
 - asset management
 - planning and performance
49. At each of the board meetings in 2010/11 financial year members have been provided with detailed presentations around each of the above areas which then led to the identification of a number of areas for further scrutiny. This demonstrates members' on-going commitment to being effective in their scrutiny and leadership roles.

Risk management

50. The board's risk strategy states that "The Board will oversee the Service's risk management policies and strategies and consider reports annually from the Chief Fire Officer on risk management plans for the Service. Members have a responsibility to understand the strategic risks that the Service faces, and will be made aware of how these risks are being managed through the annual strategic and service planning process." Whilst we recognise that the board receives regular updates in regard to the Service improvement plan, Integrated Risk Management Plan, and financial plans we have not seen a summary of strategic risks going up to the board.

Refer Action Plan No. 2

Single status

51. In November 2010, the board agreed to the suspension of the single status process in view of the uncertainties surrounding the fire reform agenda. In recent months however the board has been getting appeals from staff for re-grading and the board saw this as an opportunity to resume this activity especially as all the Fire Services have complied with the exception of Highland and Islands and Grampian Fire Boards. It is estimated that the costs associated in implementing single status will be £0.096 million and will result in additional annual staff cost of £0.101 million. The project is expected to be completed in 2012/13.

Internal control

52. As part of our audit work, we sought to take assurance from the key controls within the board's financial systems. We reviewed the main accounting and budgetary control systems and placed formal reliance on Internal Audit's testing of the payroll and accounts payable systems. We have not found any significant control weaknesses in our review and improvements highlighted by Internal Audit have either already been implemented or will be implemented in due course. All significant weaknesses are reflected in the SSIFC as noted in par 11 above.

Prevention and detection of fraud and irregularities

53. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
54. We found that Highland and Islands Fire Board has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include: an approved Prevention and Detection of Fraud and Corruption Policy and a Public Interest Disclosure (Whistle-blowing)

National Fraud Initiative in Scotland

55. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police and fire boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. The board had a total of 278 matches and all these have been investigated which found only two errors to do with duplicate payments totalling £4,694.47 which have since been recovered from the relevant suppliers. Officers have confirmed that there were no frauds to report.

Outlook

56. 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. 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, use of resources and performance

57. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
58. 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.
59. 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.
60. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
61. 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.
62. 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 and comment on any relevant national reports.

Management arrangements

Best Value

63. The best value audit of fire and rescue authorities is currently underway. The main output from this programme of audits will be a national overview report, which will be published in early 2012. Underpinning this national report, will be a programme of local audits and reports at each of the eight fire and rescue services and authorities. These audits will be proportionate, focusing on key aspects of Best Value and providing summary reports with local findings and improvement recommendations. The report for Highland and Islands Fire Board is expected to be presented to the Accounts Commission in February 2012.

Procurement

64. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement. In 2009 the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice. So far two rounds of PCA assessment have been completed.
65. The board had prepared a PCA in late 2010 but due to circumstance outwith their control, the submission was not formally assessed. The Service however acknowledges that its procurement activities are underdeveloped with significant gaps in a number of the PCA characteristics including: Leadership and Governance, Procurement Strategy & Objectives, Defining Supply Need, Contract and Supplier Management, People and Performance Management.
66. The board has a published scheme of delegation specific to purchasing which is updated regularly. It also has a newly developed 3-year Procurement Strategy and Action Plan for 2011-14. These documents are clearly set out and will provide a good springboard in achieving better purchasing practices with the potential to result in significant efficiencies and savings for the board.
67. At present, however, there is no evidence that the board is providing adequate support and challenge over purchasing. Key performance indicators for this area are currently being developed for 2011/12 so they can form part of the board's existing performance management framework. Procurement activities are currently reported to the Strategic Leadership Team level only and regular reporting to the BVAWG is planned from 2011/12 onwards.
68. The board is actively pursuing joint procurement with other public bodies to get procurement efficiencies as part of Scottish Fire and Rescue Services Centre of Expertise. It also has a Service Level Agreement with Highland Council and pursues joint procurement with that local authority.
69. The board's existing procurement activities are under-developed but the Procurement section is committed and clear on what it is trying to achieve in the next three years and has clearly laid a path of travel towards improving its capabilities. The board needs to provide adequate challenge and support by agreeing a set of key indicators and receiving regular reports on the outcomes of these. These should in turn deliver tangible savings and other benefits for the service.

Refer Action Plan No 3.

Overview of performance in 2010/11

Performance management

70. The Service has designed a bespoke system that extracts information from various other systems in order to populate its performance indicators. This is done on a daily basis so information is real time which provides for timely analysis and intervention as appropriate.

Sickness absence is the only indicator where data is still being collated manually but robust checking is in place to ensure its accuracy.

71. From 2010/11, the Board started getting quarterly performance reports which provide progress on each of the Service strategic objectives and uses a traffic light system to indicate how they are performing compared to expectations. Indicators are normally compared to previous years (trend analysis) and analysed per constituent local authority area. Overall, we believe that the board has taken a strategic approach in its performance reporting arrangements and has put measures in place to ensure the complete and accurate collating and reporting of performance information which is relevant and up to date.
72. Statutory guidance on Best Value requires local authorities to manage performance effectively with a view to continuous improvement. The board's suite of indicators do not currently include a range of corporate matters covering best value, for example no indicators are gathered for the following:
- revenues and service costs
 - employees
 - assets
 - procurement
 - sustainable development
 - equalities and diversity

Refer Action Plan No. 4

Performance indicators

73. Results of the statutory performance indicators are outlined in the following paragraphs. The board had also published for the second year running, three local performance indicators on community fire safety.

Community Fire Safety

74. The rate of incidents per 10,000 of the population resulting in casualties had gone up to 1.3 from 1.0 in 2009/10 but this is still down from the 1.5 recorded in 2008/09. The rate of accidental dwelling fires per 10,000 of the population had also gone up slightly to 6.2 from 6.1 in 2009/10 and 5.3 in 2008/09. We note that the Service cannot attribute any specific reasons to these changes.

Sickness absence

75. The days lost due to sickness and light duties during the year per fire officer had increased significantly to 10.0 from 5.7 in 2009/10 and 7.3 in 2008/09. The Service explained that this was due to the number of individuals on long term sickness having increased by three and the number of employees on light duty going up to six compared to only two last year.

Outlook

76. As highlighted at paragraph 56 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. We will continue to monitor developments as details about the merger crystallise.

Appendix A: Action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	32	<p>The board's capital requirements remain significant against the backdrop of very limited availability of funds.</p> <p>Risk: The board's asset base is not fit for purpose and may result in service delivery failure.</p>	<p>The Service continues to work with the other Scottish fire & rescue services to highlight the capital challenges faced and has presented a 10 year plan of its capital requirements to CFOA.</p> <p>In 2011/12 the board has set aside £700,000 from its reserve balance to further address the capital challenge.</p> <p>The board has also submitted a bid for additional capital funding of £310,000 from the Scottish Government.</p>	Chief Fire Officer	On-going
2	50	<p>There is currently no formal reporting of strategic risks to the board.</p> <p>Risk: The board is unaware of the strategic risks facing the Service.</p>	<p>The risk management strategy will be updated to reflect both positive and negative risks and will then be published on the service intranet and presented to the fire board.</p>	Head of Corporate Services	December 2011

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	69	<p>Existing procurement processes are under-developed. Key procurement indicators are not yet in place and there is lack of members' scrutiny on procurement activities.</p> <p><i>Risk: The board is unable to maximise benefits which can be gained from having a robust procurement framework in place.</i></p>	<p>The Service has presented to the board its 3 year procurement strategy and action plan setting out how it intends to deliver "improved performance" as defined by the Procurement Capability Assessment.</p> <p>The Service has agreed to bring back to future fire board meetings performance indicators that show how it has improved against the eight criteria identified within the Procurement Capability Assessment.</p>	Head of Corporate Services	On-going
4	72	<p>BV type indicators are not currently routinely gathered and reported to members and to the wider public.</p> <p><i>Risk: The board is unable to demonstrate that it is complying with regulation and that it is achieving best value for its services.</i></p>	<p>The Service will consider a range of best value indicators for inclusion in the quarterly performance reports and the annual performance reports.</p> <p>A paper detailing the recommendations will be presented to the April board.</p>	Head of Corporate Services	April 2012