

# Auditor's Annual Report

## Merseyside Fire & Rescue Authority

For the year ending 2020-21  
December 2021



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive Summary	3
Commentary on arrangements to secure economy, efficiency and effectiveness in its use of resources	4
Financial sustainability	5
Governance	8
Improving economy, efficiency and effectiveness	14
Covid-19 arrangements	16
Opinion of the financial statements	17
 <b>Appendices</b>	
A – The responsibilities of the Fire and Rescue Service	19
B – Risks of significant weaknesses – our procedures and findings	20
C – An explanatory note on recommendations	21
D – Use of formal auditor's powers	22

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Service or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in the Authority's arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are summarised in the table below.

Criteria	Risk assessment	Finding
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations have been made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified

	No significant weaknesses in arrangements identified.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weakness in arrangements identified and key recommendation made.



## Financial sustainability

We did not identify any risks of significant weaknesses in the Authority's financial sustainability arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. Our findings are set out in further detail on pages 5 to 7.



## Governance

We did not identify any risks of significant weaknesses in the Authority's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made three improvement recommendations. Our findings are set out in further detail on pages 8 to 13.



## Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified.. Our findings are set out in further detail on pages 14 to 15.



## Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 22 October 2021, following the Audit Committee meeting on 28 September 2021. Our findings are set out in further detail on page 17.

# Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All fire authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Authority's responsibilities are set out in Appendix A.

Fire authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 19. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Authority:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Overview of the Arrangements to ensure financial sustainability

Merseyside Fire & Authority has a good history of delivering a balanced budget without using reserves and in 20/21 they achieved an underspend of £1.42m, which was in part linked to Covid-19 and the impact on planned delivery but also as a result of savings achieved. The Authority's approach to financial planning demonstrates a clear understanding of the costs of delivering the statutory services, whilst incorporating reserves into the financial plans to meet the costs of future projects and initiatives.

The Medium Term Financial Strategy (MTFP) is embedded within the annual budget setting cycle to provide a longer term view of priorities and demand for services. Council Tax assumptions are a key element of planning and the Authority works closely with their Billing Authorities to understand assumptions around the Council Tax base and also the likely surplus or deficit on the Collection Funds. The Comprehensive Spending Review and Government Settlements are reviewed on an ongoing basis to try and model future resource envelopes that Merseyside will operate in. As for all fire authorities, annual settlements and the lack of longer term assurances over funding make financial planning more short-term in its focus. Indications from central Government are that the future may bring a longer term funding settlement, which would help bring further clarity around these planning assumptions.

The current capital programme reflects the priorities of the Authority and includes annual replacement schemes of vehicles, equipment and ICT over the next 4 years as well as significant spend on either station modernisation or buildings such as the new Training Development Academy (TDA) and mergers of the Aintree and Croxteth fire stations to create a super fire station. Capital spend is primarily funded from capital reserves or revenue contributions to capital, with some borrowing. The Authority sets and reviews a number of prudential indicators showing the proposed capital expenditure plans, how they are to be funded, the impact on the organisation's finances and their affordability in terms of the impact on revenue budgets.

In addition to the capital programme, the authority incorporates workforce planning into its forecasts. The workforce planning group considers forecast staffing needs, in particular firefighters. Between 2011/12 and 2019/20 the plan was to reduce firefighter numbers via natural retirements from 1000 to around 600. Given the age profile of its firefighters, the Authority knew it would lose a significant proportion of the establishment by the early 2020s due to them reaching retirement age. The recruitment reserve has been established to recruit firefighters in advance of the current establishment retirement to ensure it maintains a competent workforce. Retirement numbers are monitored regularly and the number of recruits and recruit programmes are determined to maintain the required operational staffing levels. Finance also proactively liaise with HR where there are vacancies to ensure any short-term or longer-term savings and opportunities are identified.

# Financial sustainability

## Key Financial assumptions

The main financial assumptions in the MTFP relate to funding and pay increases and in our view, they are reasonable and in line with expectations.

The Local Government Financial Settlement for 2020-21 confirmed funding as £31.3m, an increase of 1.6% on the previous year, and set the Council Tax increase referendum limit at 2%. With a Council Tax increase of 1.99%, the Authority set a balanced budget. As a result of the impact of Covid-19 and savings, the Authority achieved an underspend of £1.42m for 20/21.

Staff costs accounted for over 70% of the 2020-21 expenditure budget and represent the largest element of expenditure. The 2020/21 budget and MTFP for 2020-25 forecasted a 2.5% pay increase for each of the next five years, this was subsequently revised to 0% for 2021/22 only following the government's announcement of a Public Sector Pay freeze for the year. In 2020-21, there was an increase of 2% in July for firefighters and 2.75% increase in April for local government service staff. The staff costs assumptions build on the outputs of the workforce planning group and includes additional funding for staff to go through training to recruit and maintain adequate crewing and skill levels. For the McCloud legal case in relation to the transitional protection arrangements introduced with the 2015 Firefighters' Pension Scheme, the Authority has established a smoothing reserve to ensure any payments which may not be funded by government grant would be funded from this reserve as they would be one-off payments.

In the medium term, the Authority's MTFP for 2021-26 included the following key assumptions:

- 0.2% increase in government funding for 21/22 with a 1% increase in each subsequent year
- decrease in the council tax base of 1% for 21/22 with a 1% increase in each subsequent year;
- and a precept of 1.99% over the period.

As mentioned previously the lack of recent longer term financial settlements from central government can create uncertainty in financial planning.

The MTFP is refreshed each year and presented alongside the annual budget for the forthcoming year demonstrating that financial risks are considered each year in both the short and medium term. Solid financial planning means that any budget gaps have been met without using reserves and not using non-recurrent savings. This process also mitigates the risk of unexpected new requirements impacting on the Authority's financial resilience. Cashflow is also closely monitored and reviewed on a daily basis. Liquidity is not a major risk for the Authority as it holds a reasonable amount of cash and cash equivalents and at 31 March 2021 had a balance of £29.07m in readily convertible short term investments.

## Funding gaps and use of reserves

The funding gap, and savings requirement for the Authority has been relatively low in recent years. The Authority demonstrates through its MTFP that it has forecast balanced budgets for 2021/22 and 2022/23 with potential challenges arising each year from 2023/24 through to 2025/26 when the funding gap is forecast at £2.163m. The £3m of General fund reserves which the Authority maintains is sufficient to meet the forecast funding gaps, although this would bring the general fund reserve to below 5% of revenue budget should the Authority have to draw down on this reserve. The Authority has also been able to budget to set aside a £3m contribution to the TDA reserve in 2021/22.

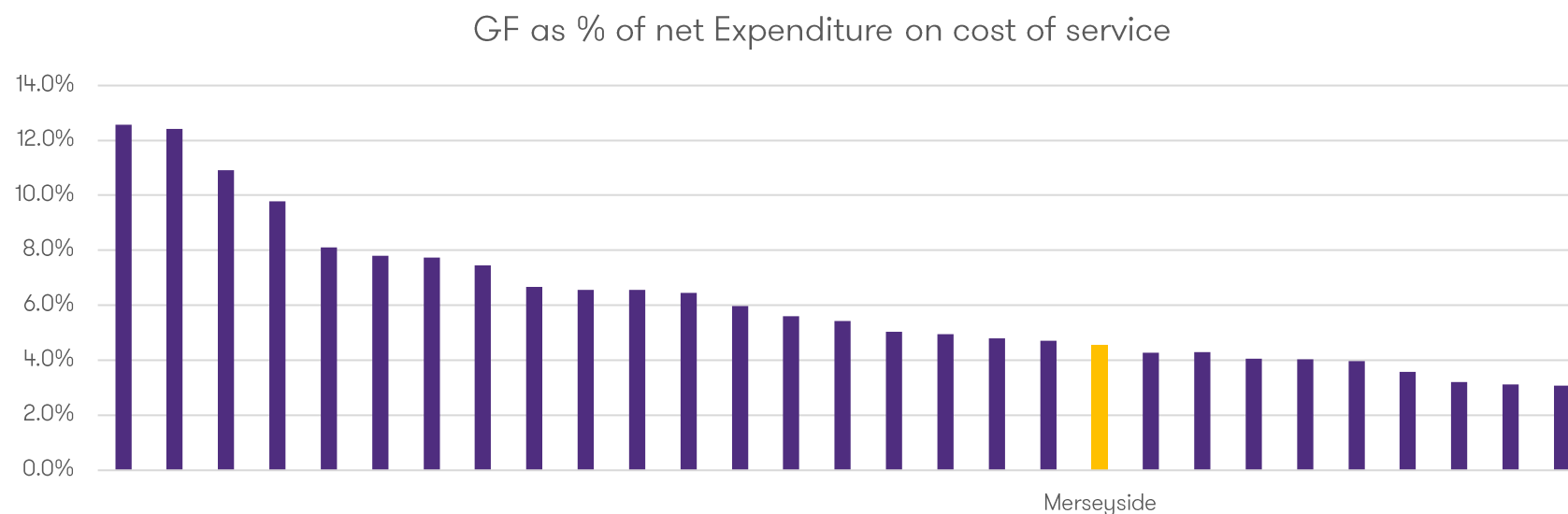
The Authority has a reserves strategy which it publishes each year alongside the budget, updated MTFP, capital and treasury strategy. In line with the Fire and Rescue National Framework recommendations the Authority feels that an appropriate and prudent level of general reserves is at 5% of net budget. For 2021/22 the Authority has approved a Committed Reserves balance of £27.171m of which £15.217m is for the Capital Investment Reserve. The use of this reserve is phased over a two year period in line with the capital programme, primarily in relation to the new TDA and super fire station project. The level of reserves appears prudent with funds set aside for specific purposes whilst maintaining appropriate general fund reserves in line with national framework recommendations.

# Financial sustainability

## Managing financial resilience

The General Fund Reserve is to cover uncertainties in future years' budgets such as the possibility of additional savings being required in the future and the potential difficulty in delivering such savings; extraordinary or unforeseen events occurring; potential insurance liabilities; capital commitments in future years, higher than expected inflation and increasing pensions costs

The Authority's reserves strategy is taken for approval to the Authority meeting each February alongside the budget. The 20/21 reserves strategy was to have the general fund at 5% of budget. The actual General Fund reserve balance at 31 March 2021 remained at £3m, which equates to 4.6% (rounded to 5%) of the closing net expenditure on cost of service as at 31 March 2021. This is in the middle range of all 29 English standalone fire authorities, which indicates a reasonable level of financial resilience.



It is not possible to build reserves for every uncertainty into the budget and reserves. What the Authority does well, is include some scenario and sensitivity analysis within the budget and MTFP setting out the impact of changes to different assumptions, and the impact of this on the budget gap. For each change of 1% in the level of government funding, the impact would be either a reduction or increase in the budget gap of £0.25m. For every 0.5% above or below the proposed 1.99% Band D council tax increase post 2021, the impact would be a change in funding levels of approximately £0.15m per annum and likewise a 1% movement in the firefighter pay award would have a potential £0.4m impact on the budget gap. This analysis helps clarify the impact of changes in the assumptions and will aid informed challenge from members of the Authority.

## Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring the Authority can continue to deliver financially sustainable services.

# Governance



## We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Leadership and committee effectiveness

The Senior Leadership Team is supported by the Authority which is then supported by a committee structure of two main decision making committees:

- Community Safety and Protection; and
- Policy and Resources.

In addition to the two main committees there are a number of scrutiny committees:

- Appointments;
- Audit;
- Joint Fire and Police;
- Scrutiny; and
- Urgency.

Senior officers attend the Authority meetings and Committees to present reports and are open to questions during committee meetings. The Authority is made up of 18 councillors from Knowsley, Liverpool, Sefton, St Helens and Wirral Councils based on the political balance requirements of the Local Government and Housing Act 1989.

Through our attendance at Audit Committee meetings, we have identified that Members would benefit from Member training to facilitate their ability to question and challenge reports and we have made an improvement recommendation relating to this.

### Improvement Recommendation

***The Audit Committee members would benefit from member training to enhance the effectiveness of their audit and assurance challenge.***

## Risk management

The Authority maintains the Corporate Risk Register which focuses on the missions and aims of the Authority and aligns each risk to a specific aim.

Overall responsibility for risk management sits with the Authority. The Senior Leadership Team review the risk register on a regular basis and risks are reported to the Authority on a bi-annual basis by the Chief Fire Officer. Members have the opportunity at the Authority and Committee meetings to consider the risks, potential impact and associated control measures.

The Corporate Risk Register underpins the Authority's corporate planning process and aims to strengthen its Integrated Risk Management Plan (IRMP). Whilst the IRMP summarises how, through planning, the Authority considers fire and rescue related dangers that could affect its communities and how it aims to tackle them, the risk register provides detail on these risks to give context to its corporate planning process.

Each risk is assigned a risk owner with key actions and are removed from the register when no longer considered a risk for the Authority.

Following an Internal Audit review in 2017, Members were asked to consider their risk appetite and tolerance to ensure the status of all risks is updated regularly. This is now embedded into the risk management process and Members are aware how important it is to the Authority that it is updated on all potential dangers and that Members understand the organisational risks.

The Authority has a low appetite for most types of risk except for Loss of Strategic Sites and Assets, in particular in relation to fire station sites where it is acknowledged the options are more limited and for Environmental and Political where not all activity in relation to collaborative work with partners may be entirely predictable.

Overall, the arrangements in place to assess and monitor risk are appropriate.

# Governance

## Policies, procedures and controls

There are various policies and procedures in place which monitor and ensure compliance with legislation and regulatory standards. The website has a section with a list of policies, which include all key policies that we would expect to see, including a Constitution. These are available online to the public.

Internal audit is provided by Liverpool City Council Internal Audit and their original plan for 20/21 proposed to cover various reviews across governance risk and legality, finance and resources, performance and operational compliance. The plan needed to be revised in light of Covid-19. Internal Audit were still able to produce several reports and focussed on undertaking sufficient work to be able to provide their Head of Internal Opinion. The Head of Internal Audit opinion concluded that there was overall substantial assurance, i.e. that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently. A small number of strategic audits covering Asset and Inventory Process and Cyber Security were deferred to 2021/22 as a result of Covid-19. Whilst there is no evidence of significant gaps in the assurance gained by the Audit Committee, we do note that Internal Audit do not attend the committee meetings so are not immediately available to respond directly to members questions. We therefore have raised a recommendation in relation to this.

In respect to the prevention and detection of fraud, the Authority has an Anti-Fraud Policy, Whistleblowing Policy, as well as a Code of Conduct for Authority Members. The Authority has adopted the Code of Conduct adapted from the LGA Model 2020 which been adopted by all Authorities across the Liverpool City Region. This is based on the Seven Principles of Public Life (Nolan Principles). There is also a gifts and hospitality policy whereby Members or Officers receiving gifts greater than £50 in value must register these with the Monitoring Officer. There is a standing item in all Authority and committee meetings to disclose pecuniary and non-pecuniary interests relating to matters on the agenda. These are recorded on the Register of Interests, along with any other interests, including directorships, that have already been declared as required by the Code of Conduct.

The Authority also took part in the National Fraud Initiative which is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. These policies, and participation in the National Fraud Initiative, taken as a whole reflect a strong institutional response to reducing instances of fraud.

## Improvement Recommendation

***The Fire Authority should consider requesting that Internal Audit attending Audit Committee meetings in order to provide clarity and context to reports and where required to provide responses directly to Members. This will ensure Audit Committee members have a greater understanding of the assurance process.***

## Treasury Management

The Treasury Management Policy and Strategy is refreshed and approved annually by the Authority alongside the budget in February. This includes a Treasury Management Policy Statement, Annual Investment Strategy, and Minimum Revenue Provision (MRP) policy as well as capital plans. A mid-year Treasury Management report is taken to the relevant Authority meeting and updates the Authority on the progress of the capital position, updates prudential indicators as necessary, and whether the actual execution of treasury management is in line with the Strategy or whether any policies need revision. In addition, there is an Annual Treasury Management report which provides details of a selection of confirmed prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.



# Governance

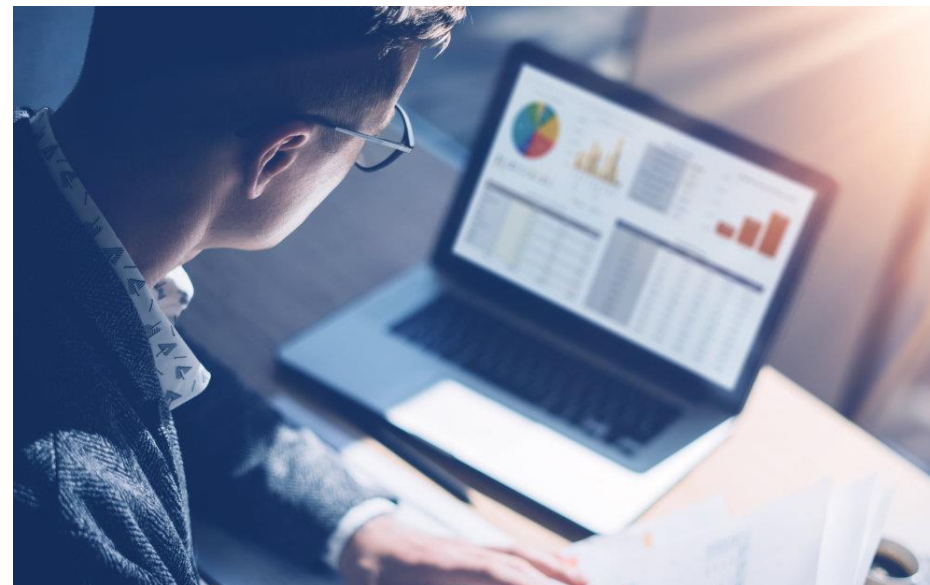
## Budget setting and monitoring

The Authority has demonstrated that they have an appropriate annual budget setting process in place. Key stakeholders are involved in the process, which includes attending the bi-annual budget and strategy days where budget assumptions are assessed for the coming financial year and consideration is given to the medium-term future. This has resulted in timely approvals prior to the start of the financial year and regular budget reviews. Service activity against plan is presented and integrated into the budget and then into monthly performance reports to allow review and challenge and quarterly financial reporting on the budget versus outturn position to senior management and TCWG (the Audit Committee). The budget plan is supported with comprehensive medium term financial plans with budget setting principles informed by the medium-term strategy and engagement with external stakeholders.

Although service activity, workforce and financial information is reported to senior management, these are not integrated reports. Workforce planning and finance are closely monitored so although the reports may be separate, there is a joint overview of the data used in both. Performance and financial reporting are not yet quite as integrated for in year-reporting although they are linked as part of the budget setting process and forward planning. The CIPFA publication from May 20 'integrated reporting application note' highlights that Integrated reporting can help public sector entities to respond better and to communicate with greater effect how they develop strategies that add value over time.

### Improvement Recommendation

***We recommend that Mersey Fire look at integrating financial performance reporting with service delivery performance reporting. See page 14 for full recommendation.***



## Finance team capacity

We have not noted a high turnover of finance staff in recent years. Although it is a small team, there is no evidence of a lack of capacity in the finance department, with budget monitoring and annual accounts being completed to an overall high standard. There is no evidence of serious or pervasive weaknesses in the Authority's processes for preparing its financial statements. This is detailed further in the 'Opinion on the financial statements' section of this report. Unmodified audit opinions have been issued on the 2020/21 and previous financial statements.

However it should be noted that there is a risk involving the loss of specialist finance knowledge and experience should key members of the finance team leave in the near future.

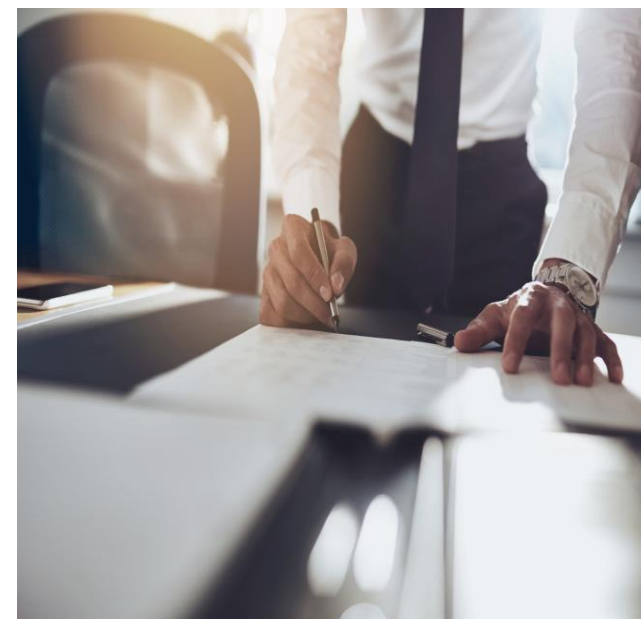
### Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have made three improvement recommendations, see pages 13 and 14.

# Improvement recommendations

## Governance

<b>1 Recommendation</b>	The Audit Committee members would benefit from member training to enhance the effectiveness of their audit and assurance challenge.
<b>Why/impact</b>	Without an effective audit committee there is a risk that members are unable to support effective audit and assurance as well as supporting achievement of the authority's objectives and robust internal control and supporting effective arrangements to manage risks.
<b>Auditor judgement</b>	Although the Authority meeting embeds the Nolan principles and is committed to a series of training for members, we have identified there is less questioning or challenge from members than we would expect.
<b>Summary findings</b>	We identified there is scope to further support members of the audit committee by providing training to members to aid them in the effectiveness of their challenge.
<b>Management comment</b>	<p>The Authority provides training for all members in addition to running learning lunches throughout the year, but the training tends to be generic and not specific to a particular committee role. Officers are required to present their reports at all committee meeting in order to ensure Members gain a detailed insight into the report's subject matter, risks and challenges. If required Members can also request that any matter identified within the report be considered at a future Scrutiny Committee or Learning lunch at which more information can be given.</p> <p>That being said, the Monitoring Officer and Director of Finance and Procurement (s151 officer), will look to identify any specific Audit Committee training to enhance the audit and assurance challenge of all Authority Members.</p>

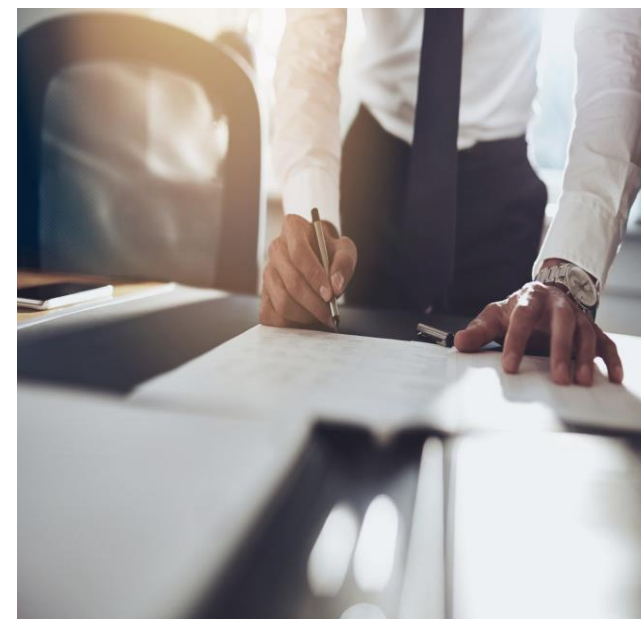


The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations

## Governance

<b>2 Recommendation</b>	The Fire Authority should consider requesting that Internal Audit attending Audit Committee meetings in order to provide clarity and context to reports and where required to provide responses directly to Members. This will ensure Audit Committee members have a greater understanding of the assurance process..
<b>Why/impact</b>	In order to support the Authority, an effective audit committee needs to have the opportunity to be able to question Internal Audit for clarification or challenge when reports are presented. If this is not provided, there is a risk that members are unable to support effective audit and assurance.
<b>Auditor judgement</b>	Although questions and clarifications can be directed to Internal Audit post any committee, our view is that this process would be more effective if members were able to speak to Internal Audit directly when reports are presented. Often questions raised by members facilitate further discussion and lead a more robust identification of risk.
<b>Summary findings</b>	We identified that Internal Audit do not routinely attend the Audit Committee and there is therefore scope to improve the opportunities available for members to query and challenge their reports.
<b>Management comment</b>	Internal Audit are invited to all Audit Committee meetings. They usually attend the meeting but on some occasions the Audit Committee Agenda may not include any relevant internal audit items and the Director of Finance and Procurement may agree with the lead Internal Audit officer that they are not required to attend. Going forward a representative from Internal Audit will attend all future meetings.



# Improvement recommendation



<b>3 Recommendation</b>	We recommend that Merseyside Fire look at integrating financial performance reporting with service delivery performance reporting.
<b>Why/impact</b>	Given pressures across the public sector there is a need for organisations to report more effectively to stakeholders on their performance, viability and future projections. In order to give this rounded picture, key elements such as performance and financial data need to be integrated or there is a potential risk that implications of emerging issues are not fully considered.
<b>Auditor judgement</b>	Integrated reporting is a key component of good governance. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) emphasises “the need for integration in both reporting and organisational performance” and makes explicit reference to Integrated reporting.
<b>Summary findings</b>	We identified that the Budgeting process is very well aligned in terms of strategic, capital, workforce and budget but then in-year delivery performance reporting is not integrated with reporting.
<b>Management comment</b>	<p>The key strategic planning (non-people) resource strategies for the Authority are the IRMP and Medium Term Financial Plan/Annual Budget. In addition the Authority approves an annual Service Plan that includes; the key service performance indicators; updates on the directorate function plans (key directorate deliverables for the year in question); an update on the HMICFRS action plan; and IRMP actions.</p> <p>Throughout the year the Authority receives quarterly updates on the service plan performance and a comprehensive financial review report (that includes the revenue, capital, reserve and treasury management strategy performance). The two quarterly reports tend to go to the same committee and therefore allow members to consider financial performance and service delivery performance together.</p> <p>The Director of Strategy and Performance and Director of Finance and Procurement will ensure going forward that the quarterly financial and service performance reports and the year-end reports go to the same committee and are consecutive items on the agenda. This will allow Members to consider the overall financial and service performance at one meeting and achieve the same outcome as an integrated reporting mechanism.</p>



# Improving economy, efficiency and effectiveness



## We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Identifying areas for improvement

Performance of the Fire Service is monitored by the Authority through quarterly Service Delivery Plan updates which are taken to the Policy and Resources Committee, and subsequently to the Authority meetings. The performance reports include performance against the key performance indicators (KPIs) which are set by the Authority. The performance indicators are reviewed annually to ensure they are still relevant for the Authority. The way performance indicators are monitored and reported is divided into four strands; Summary Indicators, Outcome Indicators (e.g. reduction in fires and other incidents) which are reported to Authority, Tier 1 Local Performance Indicators, outputs (e.g. number of home fire safety checks) which are reported to Performance Management Group and tier 2 Local Performance Indicators, lower level outputs which are reported to Function and Station Management Teams.

The Authority's performance for 2020/21 against the KPIs is summarised below as reported in the Annual Statement of Accounts. These KPIs are aligned with the Authority's IRMP linking performance to strategy.

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2019/20	Target 2020/21	Performance 2020/21	Status
TO00	Total number of emergency calls received	20679	Quality Assurance	19778	Quality Assurance
TC01	Total number of incidents attended	15193	16273	15867	On target
TC02	Total number of fires in Merseyside	5638	7159	6142	On target
TC03	Total number of primary fires attended	2093	2262	1770	On target
QTC04	Total number of secondary fires attended	3545	4897	4372	On target
TC05**	Total number of special services attended	3911	Quality Assurance	4250	Quality Assurance
TC06	Total number of false alarms attended	5644	5497	5475	Target missed
TR08*	Attendance standard – first attendance of an appliance at a life risk incidents in 10 mins	93.9%	90.0%	95.4%	On target
TD09	The % of available shifts lost to sickness absence, all personnel	4.05%	4.00%	4.27%	Target missed
TE10	Total carbon output of all MFRS buildings	58.5	65.0	57.4	On target
<b>DWELLING FIRES</b>					
DC11	Number of accidental dwelling fires	867	861	799	On target
DC12	Number of deaths in accidental dwelling fires	5	8	7	On target
DC13	Number of injuries in accidental dwelling fires attended	87	90	59	On target
DC14	Number of deliberate dwelling fires in occupied properties	136	138	139	Target missed
DC15	Number of deliberate dwelling fires in unoccupied properties	16	20	16	On target
DC16	Number of deaths in deliberate dwelling fires	1	1	0	On target
DC17	Number of injuries in deliberate dwelling fires	15	13	14	Target Missed

	Within 10% of Target
	Target Achieved
	Performance 10% worse than last year

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2019/20	Target 2020/21	Performance 2020/21	Status
<b>NON DOMESTIC PROPERTY</b>					
NC11	Number of deliberate fires in non-domestic premises	73	81	37	On target
NC12	Number of accidental fires in non-domestic premises	165	179	126	On target
<b>ANTI SOCIAL BEHAVIOUR</b>					
AC11	Number of deliberate vehicle fires attended	459	569	306	On target
AC12	Number of accidental vehicle fires attended	206	197	168	On target
AC13	Number of deliberate anti-social behaviour fires (small)	2774	4,157	2993	On target
AC14	Number of accidental small fires attended	771	740	1379	Target missed
AC15	Number of 'other' primary fires attended	171	217	179	On target
<b>ROAD TRAFFIC COLLISIONS</b>					
RC11	Number of road traffic collisions (RTC) attended	718	Quality Assurance	555	Quality Assurance
RC12	Number of injuries in road traffic collisions attended	343	Quality Assurance	232	Quality Assurance
RC13	Number of fatalities in road traffic collisions attended	7	Quality Assurance	8	Quality Assurance
RC14	New: Number of Killed & Seriously Injured (KSI) in RTC's across Merseyside Based on Partnership RTC data	426	Quality Assurance	357	Quality Assurance
RC15	New: Number of KSI's affecting 16-24 age group - Based on Partnership RTC data	71	110	56	On target
<b>FALSE ALARMS</b>					
FC11	The number of false alarm calls due to automatic fire alarm equipment in Non-Domestic properties	570	583	460	On target
FC12	The number of false alarm calls due to smoke alarm actuation in Domestic properties	3137	2949	2880	On target
FC13	Total number of false alarms attended discounting False Alarm Good Intent	3940	Quality Assurance	3465	Quality Assurance
FC22	Number of Malicious False Alarms attended	233	222	125	On target
FC23	Number of False Alarm Good Intent attended	1704	1743	2010	Target missed
<b>STAFF SICKNESS &amp; INJURIES</b>					
WD11	% of available shifts lost to sickness absence per whole time equivalent GREY book (operational) personnel	3.88%	4%	4.05%	Target missed
WD12	% of available shifts lost to sickness absence per whole time equivalent GREY book (operational) personnel	4.29%	4%	4.62%	Target missed
WR13	Total number of operational staff injuries	26	47	35	On target

# Improving economy, efficiency and effectiveness

Other sources of performance data come from the 2018 HMICFRS report and this had 6 areas for improvement (AFIs). The Authority set an iterative action plan with a suite of actions that underly the 6 AFI's – Policy and Resources Committee reviewed the progress every 6 months and it is only being closed now with a view to the latest inspection being received imminently.

The most recent HMIICFRS Covid Inspection completed in 2020/21 highlighted the leading role the Authority has in co-ordinating the Fire Service's response to the pandemic but also noted that it determined how it can improve its IT systems so that staff can effectively work remotely and how it will adopt for the longer term, the new and innovative ways of working introduced during the pandemic to secure last improvements. We acknowledge that the finance team were able to work effectively both remotely and from Head Quarters during the pandemic with no disruption to the service users.

## Working with others

The Authority works with other emergency services across Merseyside as part of a Blue Light Collaboration (BLC). This includes significant collaboration with Merseyside Police in regard to various corporate support functions. The Authority shares the Joint Control Head Quarters in Bootle with Merseyside Police as well as the North West Ambulance Service being located at a number of Authority sites. This close working together enables joint training exercises and operational planning meetings as well as the strategic planning through the Joint Fire and Police Collaboration Committee on which Authority Members sit.

The Authority also collaborates with other emergency services, local authorities and other public bodies when it is advantageous to do so, for example working with local NHS bodies as part of the vaccination programme and the Authority's prevention team often working closely with local authorities' youth and social services.

The North West PFI project was established to replace 16 fire stations across Merseyside, Lancashire and Cumbria with the Authority leading the project. The building programme for Merseyside started in April 2011, with the first station opening in April 2012 and the last station opening in July 2013. The Authority's Head of Estates attends monthly contract monitoring meetings with the facilities management provider and receives performance monitoring data each month in relation to the contract.

The Authority played a lead role in the Fire Service's response to the Covid-19 pandemic, working with a number of agencies nationally and specifically the Chief Fire Officer leading the response nationally.

Whilst the Ambulance Service has withdrawn funding from the new TDA development; as under the early stages of planning the project, it was provisionally planning to share the building with the Authority and contribute to the capital costs, this does not reflect on the good working relationships between the two services. The Authority has been able to increase its own contributions to the project through effective financial planning.

This evidences that the Authority is working with key stakeholders and reflecting on how existing partnerships can be improved to deliver further savings and better services.

## Procurement

The Authority has a procurement strategy in place which was last updated in January 2020 and is currently being reviewed to ensure the Modern Slavery Policy is adequate. The Authority also leads on the Fire & Rescue North West Group that consider a collaborate approach to the procurement of operational goods and services.

## Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for improving the way the Authority delivers its services.

# Covid-19 arrangements



Since March 2020 Covid-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Authority's arrangements have adapted to respond to the new risks they are facing.

## Overview

In August 2020, HMICFRS were commissioned by the Home Secretary to inspect how fire and rescue services in England were responding to the Covid-19 pandemic. In reporting its findings HMICFRS stated that the Service has effectively carried out its statutory functions during the pandemic. It was impressed by how the service looked after the welfare of its staff, and the additional support it gave to the community during the first phase of the pandemic.

The majority of the costs relating to the pandemic have been incurred during 2020/21. To assist, additional funding has been provided by Central Government for some of the expenditure mentioned – specifically around PPE, additional cleaning, creating Covid-19 secure buildings and overtime relating to Covid-19 restrictions

Following the national lockdown, face to face meetings were cancelled between mid March and May 2020. Authority and committee meetings moved to video conferencing and took place remotely for the rest of the year. There is evidence within Authority and Committee meeting minutes, and HMICFRS report that appropriate levels of scrutiny and challenge continued to be applied by members.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic, and the Authority has not seen a significant impact on productivity as a result. Requiring staff to work from home also supported the Authority's protection of its frontline staff.

In response to the pandemic, staff from the Merseyside Fire and Rescue Service have been involved in activities including:

- food and prescription deliveries;
- casualty transportation;
- supporting vulnerable persons, including welfare calls and shielding visits;
- delivering PPE and other medical supplies to NHS and care facilities; and
- supporting the vaccine roll out

## Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements adapted to respond to the new risks they are facing as a result of Covid-19.



# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 22 October 2021

## Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Audit Committee on 28 September 2021.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Authority. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We are not able to complete the work required to issue the WGA Component Assurance until guidance is available from HM Treasury. We therefore continue to be unable to certify the completion of the audit for 2020-21.

## Preparation of the accounts

The Authority provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

## Findings arising from the accounts:

- A recommendation were made in the relation to the arrangements management has in place with its valuer to retain the evidence supporting the year end valuations.
- We did not identify any adjustments to the financial statements that resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement.
- We identified some improvements that were required to disclosures within the financial statements.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Appendices

# Appendix A - Responsibilities of the Fire and Rescue Service



## Role of the accountable officer:

- Preparation of the statement of accounts
- Assessing the Authority's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



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# Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. As reported in our Audit Plan, we did not identify any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Authority's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.	No	Not applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.	No	Not applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority's arrangements.	Yes	Governance - Pages 11-13

# Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

**Statutory recommendations**

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendation.

**Public interest report**

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest reports.

**Application to the Court**

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not issue any applications to the Court.

**Advisory notice**

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

We did not issue any advisory notices.

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

**Judicial review**

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not issue any judicial reviews.

