Auditor's Annual Report for Bedfordshire Fire and Rescue Authority

Year ended 31 March 2024

February 2025

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This report is addressed to Bedfordshire Fire and Rescue Authority (the Authority). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary

Executive Summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Bedfordshire Fire and Rescue (the 'Authority'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Authority alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Authority and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').

Narrative report - We assess whether the narrative is consistent with our knowledge of the Authority.

Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Authority's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.

Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued a disclaimer of opinion on the Authority's financial statements on 25 February 2025. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts ahead of the statutory backstop date of 28 February 2025. Further details are set out on page 7. We have provided further details of the key risks we identified and our response on page 8.
Other information	Whilst in our opinion the content of the other information is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.
Value for money	We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 10.
Other powers	See overleaf.

Executive Summary

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Authority is taking. We may also apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.

We have not applied to the courts this year

Recommendations

We can make recommendations to the Authority. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Authority does not need to take any action, however, should the Authority provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have not raised any other recommendations.

Advisory notice

We may issue an advisory notice if we believe that the Authority has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Authority. Where we raise observations, we report these to management and the Audit and Standard Committee. The Authority is not required to take any action to these; however, it is good practice to do so, and we have included any responses that the authority has given us.

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Audit of the financial statements

Audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report. However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Authority's financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard. Our audit opinion on the financial statements.

Our disclaimer of opinion on the financial statements

We have issued a disclaimer of opinion on the Authority's financial statements on 25 February 2025. We therefore do not express an opinion on the financial statements. The reason for our disclaimer of opinion is as follows:

- The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date").
- We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas were the carrying amount of property, plant and equipment, the Firefighter Pension Fund Account and the balances of, and movements in, usable and unusable reserves for the year ended 31 March 2024.
- In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Authority's income and expenditure for the year ended 31 March 2024.
- Any adjustments from the above matters would have a consequential effect on the Authority's net assets, the split between usable reserves and unusable reserves as at 31 March 2024 and 31 March 2023, and on its income and expenditure and cash flows for the years then ended.

Further information on our audit of the Authority's financial statements is set out overleaf.

The full audit report is included in the Authority's Annual Report and Accounts for 2023/24 which can be obtained from the Authority's website.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls Professional standards require us to communicate the fraud risk from management override of controls as significant Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively We have not identified any specific additional risks of management override relating to this audit.	Our audit methodology incorporates the risk of management override as a default significant risk. • We evaluated accounting estimates and have not identified any indicators of management bias in these, nor did we identify any significant unusual transactions that impacted both our assessment or response to this area of significant risk • We assessed the underlying assumptions used to prepare accounting estimates • We evaluated the selection and application of accounting policies • We analysed all journals through the year and focused our testing on those with a higher risk, such as journals impacting non pay expenditure.	We did not identify any material misstatements relating to this risk.
Valuation of post-retirement benefit obligations The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Fire Authority's pension liability could have a significant effect on the financial position of the Fire Authority. The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation have a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Fire Authority in completing the year end valuation of the pension deficit and the year-on-year movements. We have determined that this risk applies to the Firefighters' pension scheme and LGPS.	We have performed following procedures: • Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations • Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets • Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation • Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data • Confirmed that the accounting treatment and entries applied by the Authority are in line with IFRS and the CIPFA Code of Practice • Considered the adequacy of the Authority's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions • Evaluated the design and implementation of controls in place for the Authority to determine the appropriateness of the assumptions used by the actuaries in valuing the liability.	We did not identify any material misstatements relating to this risk.

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Value for Money

Value for Money

Introduction

We are required to be satisfied that the whether the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the authority for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

- **Financial sustainability**: How the authority plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How the authority ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How the authority uses information about its costs and performance to improve the way it manages and delivers its services

We are not required to consider whether all aspects of the Authority's arrangements are operating effectively. We are also not required to satisfy ourselves that the Authority has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the mentioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the authority. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	12	14	15
Identified risks of significant weakness?	✗ No	✓ Yes	✓ Yes
Actual significant weakness identified?	✗ No	✗ No	✗ No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	←→	←→	←→

Value for Money

National context

We use issues affecting Fire Authorities nationally to set the scene for our work. We assess if the issues below apply to this Fire Authority.

Financial performance

Fire Authorities are generally funded through council tax, business rates and other government grants. Over recent years, Fire Authorities have been expected to do more with less, experiencing a real-term decrease in funding over the years when compared to inflation. This has caused Fire Authorities to change the way that services are delivered in order to remain financially viable and affordable.

As part of the 2021/22 Spending Review, the National Fire Chiefs Council and the Local Government Association proposed that across Fire and Rescue Authorities in England, the fire and rescue sector could create 2% of non-pay efficiencies and increase productivity by 3% by 2024/25. It is a requirement that all Fire Authorities publish their Efficiency and Productivity Plan on the Authority's website, explaining how they intend to plan and report on efficiencies and outline the savings they plan to deliver, as well as the plan to increase productivity outputs and their commitment to increasing efficiency where possible to enable reinvestment and maintain a sustainable financial position.

Culture and workforce

Culture in the Fire and Rescue Service has faced significant national scrutiny in 2023/24 following adverse media at some authorities and a focus on culture as part of inspections performed by HM Inspectorate of Fire and Rescue Services.

Fire Authorities are very people-intensive organisations, with circa 77% of total expenditure being made up of staff costs. The culture a Fire Authority embeds across the organisation therefore plays a big part in how successfully the Authority is able to provide and deliver services and achieve their priorities. This requires an effective strategy and culture to be established to ensure a highly-skilled, motivated and diverse workforce are in place to deliver services to the communities they serve, without feeling discriminated or harassed within the workplace.

Local context

The Bedfordshire Fire and Rescue Authority (the Authority) is an independent body which has responsibility for ensuring proper governance arrangements and controls are in place to enable the effective exercise of the Authority's functions and the management of risk.

The Authority is made up of councillors ("Members") appointed to it for the municipal year by its three constituent authorities. Their numbers are proportional to the populations they represent. Their mission is to provide outstanding fire and rescue services that help make Bedfordshire safer. Their staff deliver this by working together to follow their Core Values.

The Authority is a precepting authority; this means that its net cost, after receiving a Government Grant and a proportions of local business rates, is met by all council taxpayers in Bedford Borough, Central Bedfordshire and Luton Borough.

Financial Sustainability

How the authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the authority plans to bridge its funding gaps and identifies achievable savings;
- How the authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Financial Planning

The Authority has a statutory duty to breakeven within the budget. The budget setting process involves stakeholders at all levels of management hierarchy and takes place as part of the annual business planning process.

A "Medium Term Financial Strategy" (MTFS) has been formulated encompassing the financial implications of the known challenges encountered to maintain current operations whilst pursuing the goals and objectives. The MTFS takes into account the financial forecast, encompassing both internal and external resources, over the medium term, and services as the foundation for compiling the budget for the following years.

A revenue budget is prepared alongside a capital program that are both strategically aligned with the aims and objectives outlined in the MTFS. This process takes into consideration local pressures as well as efficiency savings necessary to achieve the aims and objectives. It is seamlessly integrated into the annual budget setting process.

The budgets and MTFS undergo review and approval by Corporate Management Team (CMT) and the Fire and Rescue Authority (FRA). This multi-tiered approval process ensures thorough considerations of the budgets by key stakeholders across all levels within the Authority. Presenting reports at these meetings facilitates open discussion, allowing for issues to be raised, deliberated upon, and appropriate actions agreed.

Monitoring ongoing financial performance

Various stakeholders, including the FRA members, closely monitor and scrutinise the financial position. Quarterly revenue and capital performance monitoring reports are presented to the FRA by the Assistant Chief Officer, encompassing funding budgets and capital allocations.

It is noted that for 2023/24, only the monitoring reports for the two quarters were presented to the FRA due to a limited finance team availability. This was agreed with the board however presents a risk to effective financial monitoring. As the year-end outcome aligned with the forecasts provided throughout the year, we do not consider this to represent a significant risk.

The 23/24 MTFS highlighted a funding shortfall for 23/24 onwards. The projected revenue for 23/24 was set at £34.9m. As of December 2023, the revenue and capital performance monitoring report indicated a total underspend of £0.65m. This includes a £1m overspend on non-pay expenditure and a £0.3m overspend on pay expenses.

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Financial Sustainability (cont.)

How the authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the authority plans to bridge its funding gaps and identifies achievable savings;
- How the authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Continued…

The overspend on pay costs is largely due to a 2% budget shortfall associated with pay awards, which was not fully accounted for the original budget. A pay/pension reserve, which had been established in the prior year, was allocated during the 23/24's budget setting process. This allocation has been forecasted into the 23/24 reserve strategy.

The 24/25 MTFS presented and approved in February 24 also highlighted a funding shortfall that might necessitate utilising transformation reserves for 2024/25 onwards.

The gaps arises from several challenges, notably the inflation pressures and uncertainties around funding allocation and pay awards. However, the MTFS have accounted for the uncertainty within the reserve strategy and the Authority maintains sufficient reserves to address any additional funding gap as a result of this.

Governance

How the authority ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the authority approaches and carries out its annual budget setting process;
- how the authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risk management

The Authority has a risk management process in place, which allows the Authority to identify and monitor risks. All identified risks are subject to scrutiny and challenge to ensure an appropriate risk score and mitigations in place. Our review of the risk register found this was sufficiently detailed to effectively manage key risks, and sufficient actions identified which set out how the Authority intends to achieve a target risk level. Relevant reporting of current and open risks take place on a quarterly basis to Audit and Standard Committee.

Framework of control, decision making and audit engagements

The Authority have in place a corporate structure and financial regulations which are aligned to best practice and show clear delegated responsibilities. There are Terms of References for Audit and Standard Committee, Executive Committee and Fire and Rescue Authority which are reviewed on regular basis to ensure they remain fit for purpose.

The Authority undertakes a number of measures to prevent and detect fraud. There are polices and procedures including whistleblowing, anti-fraud, bribery and corruption incorporating the National Fraud Initiative, in place to monitor any frauds and related risks. The policies are reviewed regularly to ensure that these are up to date.

Internal audit services are outsourced, and management responses and action plans are devised to address any deficiencies identified in the audit recommendations.

Decision Making

The Authority operates under the oversight of the Fire and Rescue Authority responsible for managing and approving critical decision. The Terms of Reference governing Fire and Rescue Authority operations undergo regular review to ensure compliance and effective in monitoring processes.

Response to reports from regulators

The most recent HMICFRS inspection report was released in August 2024. The report highlighted a number of areas for improvements. The Authority has developed an improvement action plan to respond the findings. Due to the importance of proper governance arrangements over an improvement plan, we have determined a risk of significant weakness in relation to the Governance domain.

Improving economy, efficiency and effectiveness

How the authority uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the authority evaluates the services it provides to assess performance and identify areas for improvement;
- how the authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the authority commissions or procures services, how it assesses whether it is realising the expected benefits.

Planning and delivery of efficiency plans

The Authority's MTFS budget setting process includes steps to identify planned efficiencies and savings for the upcoming 4 years. Quarterly updates on the savings and efficiency program are provided to the Fire and Rescue Authority, and these updates are included as an appendix in the revenue and capital performance monitoring report.

The savings and efficiency program is organised in a table format that outlines the targeted savings and efficiencies to be achieved across different corporate management team areas with RAG (Red, Amber, Green) ratings, which indicate whether the Authority is on track with the efficiency program. Only the monitoring reports for two quarters were presented to the FRA in the 23/24 financial year. This was due to vacancies in finance and a resulting limited finance team availability.

This presents a risk to effective financial monitoring during the 23/24 financial year. Since year end, during the 24/25 financial year, progress has been made with the filling of a key role and the creation of a new post within the finance team. Two quarterly reports have been presented to the committee since then. This allows for more effective oversight going forwards.

Performance Reporting

The Authority employs a rigorous performance monitoring framework. Key performance indicators (KPIs) are established and approved by the Fire and Rescue Authority annually, ensuring alignment with the Community Risk Management Policy. Performance against these KPIS is monitored and reported to the Fire and Rescue Authority on a quarterly basis.

Although we noted that the annual account lacks detailed disclosure on KPI performance, we believe that relevant stakeholders are well- informed of performance outcomes through these quarterly reports.

Response to reports from regulators

The most recent HMICFRS inspection report was released in August 2024. The report indicated that the Authority might not have appropriate arrangements to ensure its services are effective. We have therefore identified a significant risk in relation to the Improving economy, efficiency and efficiency domain.

Significant Value for Money Risk

1 HM Inspectorate of Constabulary and Fire and Rescue Services Inspection

Significant Value for Money risk linked to the domain of governance and improving economy, efficiency, and effectiveness

Significant Value for Money Risk

In August 2023, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) released its 2023-2024 performance inspection report for the Service.

Whilst the report acknowledged certain areas of the good performance of the Service in keep people safe and secure from fire and other risks, it identified several areas needing improvement. Notably, the report highlighted that the Service has not made the expected progress since the previous inspection in 2021.

The adverse inspection outcome by HMICFRS raises a risk that the Service does not have appropriate arrangements to ensure its services are effective. We are therefore identified a significant Value for Money risk in relation to the domain of Governance and Improving economy, efficiency and effectiveness

Our response

We performed the following procedures:

- Evaluate whether the Authority has developed appropriate governance arrangements to support its improvement plan; including whether key actions have been identified and monitored to ensure their implementation;
- Evaluate how the Authority works with HMICFRS to assess whether the improvement plan is appropriately designed and is progressing as planned; and
- Understand if actions from the improvement plan have any capital investment implications, in particular for estates, and whether these have been fed into the capital plan.

Our findings

We noted that there is improvement action plan in place to respond to HMICFRS inspection findings. The progress on action plan is reported to Fire and Rescue Authority on a quarterly basis.

The actions from the improvement plan are incorporated into the Service's the Community Risk Management Plan (CRMP).

As part of the budget setting process, the additional costs arising from the improvement action plan are incorporated into budget considerations.

Conclusion

We were able to conclude that the Authority had sufficient arrangements in place during 2023/24 to ensure improvement following the inspection outcome.

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