

## REPORT OF THE CHIEF FIRE OFFICER

# CIPFA STATISTICS AND THE AUDIT COMMISSION'S VALUE FOR MONEY PROFILE

### 1 Purpose of Report

The report informs Members of correspondence about the consistency of the information being used by the Audit Commission to undertake “value for money” and “direction of travel” assessments of this and other Fire Authorities.

### 2 Recommendations

The Committee is asked to note:

- a) The attached correspondence and the reservations about using the current statistics to form conclusions; and
- b) That the latest statistics including 2006/07 expenditure estimates are not yet available in a format to enable ready analysis to aid current budget decision making.

### 3 Background

At the last meeting, the Committee required the Chief Fire Officer to “write to CIPFA (the Chartered Institute for Public Finance and Accountancy) and the Audit Commission to draw their attention to the inconsistencies in the information, which is to be used in the forthcoming assessments of Fire Authorities.”

This arose because of the differences in completing CIPFA questionnaires that had been discovered when this Authority tried to pursue the apparent high costs of its training. Some authorities, including ourselves, were including staff costs as part of training costs, but others, incorrectly, were not.

Concern centred on the fact that the Authority had been investing considerable time and effort using CIPFA's comparative statistics to seek out areas where further investigation might reveal scope for improved value for money. This concern was heightened by the knowledge that such flawed information might be used by the Audit Commission to form an erroneous view of the Authority's Use of Resources.



## 4 Latest Position

As can be seen from the letter sent and the responses from the Audit Commission and CIPFA, (attached as Appendices) our concerns have been noted.

Furthermore, the position is clearly accepted that the statistics are a starting point but should not be used to reach firm conclusions. It is also clear that significant input will be needed to obtain a consistent set of data to begin reliable benchmarking and analysis.

This is some comfort ahead of the Value for Money Assessment. For the time being, however, use of the current statistics (which have still not been released in a user-friendly format), will be limited.

## 5 Financial Implications

There are no direct financial implications arising from this report.

## 6 Legal Comment

There are no legal implications arising from this report.

## 7 Appendices

**Appendix A** Chief Fire Officer's letter to the Audit Commission and CIPFA

**Appendix B** Audit Commission's response

**Appendix C** CIPFA's response

## 8 Background Papers

There are no background papers associated with this report

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balance Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment	*	Operational Assurance	
Equality and Diversity		Retained	
Efficiency Savings	*	Risk and Insurance	
Environmental		Staff	
Financial	*	Strategic Planning	*
Fire Control/Fire Link		West Midlands Regional Management Board	

For further information about this report please contact Alan Taylor, Chief Fire Officer, 01743 260201 or Keith Dixon, Treasurer, 01743 260202



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25 September 2006

AC/AT/KJ  
*ms/cfo/1et43kj*

Alan Taylor  
Chief Fire Officer

Tel 01743 260201

Dear Andrew'

Following a meeting of the Strategy and Resources Committee of Shropshire and Wrekin Fire Authority (SWFA) on 21 October 2006, I have been asked to write to you raising the serious concerns of Members of the Authority regarding the 'direction of travel and VfM profile' tool (version 1-4) available on the Audit Commission website.

From the Performance Framework 2006/07 documentation, it is clear that the VfM profile tool is intended to "help FRAs and auditors take an overview of spending and performance and help target areas for attention in assessing VfM." As part of its current budget setting process, SWFA have also been using the VfM tool to build upon our previous analysis of the 2005/06 CIPFA expenditure statistics to identify areas of relatively high expenditure. Unfortunately, our first attempt at exploring the figures behind the tool have raised serious concerns as to its accuracy and validity, as described below.

Our initial use of the tool identified few areas of concern for Members, with the exception of particularly high 'training expenses'. This confirmed earlier findings using CIPFA 2005/06 statistics which identified that SWFA would need to reduce its spending on training by almost £300,000 per year to match the average spend for all FRAs, and by over £150,000 to match that of other Combined Fire Authorities. With a revenue budget of just over £18 million these would clearly be quite substantial reductions and, as such, an early investigation commenced to establish the reasons for our apparent high levels of expenditure in this area.

We firstly assured ourselves that the expenditure information we had supplied to CTPFA was correct, in particular that the costs of all employees at our training centre were correctly included within 'training expenses'. We then carried out a survey of the other four FRAs within our region to determine that, on a regional basis at least, all FRAs were submitting information on the same expenditure. To our surprise we identified that whilst ourselves and one other FRA had included employee costs, the remaining three FRAs had not. The fact that our employee costs account for approximately 60% of our total training expenditure (and that this is likely to be the case in most FRAs) clearly means that comparisons of training expenditure across our region using either the CIPFA statistics or the VfM tool are virtually meaningless. Although we do not yet have details

25/09/2006

as to which other English FRAs have included employee costs and which have not, it appears likely that the disparity in reporting is not limited to the West Midlands region alone. This supposition appears to be borne out by the wide ranging differences in expenditure per 1,000 population identified within the 2005/06 CIPFA statistics (between £205 and £4,072 per 1,000 population).

The impact of our analysis is clearly not limited to training expenses alone. FRAs which have not included their employee expenses within the overall training expenditure must presumably have included them elsewhere. This then calls into doubt many of the other areas of comparison, for example, the vitally important areas of 'total employee expenses' and 'total non-employee expenses'. Furthermore, the findings have, as you may expect, cast doubt upon the accuracy and validity of all other aspects of the tool and thus reduced the confidence of Members for using the tool to drive forward further improvements in value for money within Shropshire.

As you may be aware, SWFA have been generally very supportive of the Fire and Rescue Performance Framework 2006/07; in particular, Members have very much welcomed the performance information element which for the first time will use long established Best Value Performance Indicators to measure outcomes rather than inputs or processes. Members also welcomed the opportunity provided by the updated CIPFA statistics and the VfM tool to ensure that the public of Shropshire were achieving the best possible value for money from their Fire and Rescue Service.

Members of SWFA have been very proactive in delivering a cost effective Service and have been heavily involved in the Integrated Risk Management Planning process to ensure that all aspects of the Service are delivered economically, efficiently and effectively. Those same Members are now most uncomfortable with the flawed data with which they have been provided and not only do they envisage difficulties in the forthcoming audit process but, more importantly, they feel that an important opportunity to identify areas for even further improvement in value for money has sadly been missed.

At the request of Members of the Fire Authority I have copied this letter to both CIPFA and to our Relationship Manager. If you require any further information with regards to the analysis we have conducted to date, or would wish to discuss any other aspects of this letter, please do not hesitate to contact me.

Yours sincerely

Alan Taylor Chief  
Fire Officer

cc Councillor Nigel Hartin, Chair  
Councillor David Morgan, Vice Chair  
Councillor Andrew Eade, Leader of Conservative Group  
CIPFA  
Tony Corcoran, District Auditor and Relationship Manager



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18 October 2006

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Dear Alan

### **Direction of Travel and Use of Resources Data Tool**

Thank you for your letter of 25 September 2006. I understand that the Audit Commission's Fire and Rescue Regional Service Lead has also meet with you on 11 October 2006 and discussed this matter.

The Commission provides the tool to fire and rescue authorities to assist them, and our staff, in undertaking the both the direction of travel and use of resources (value for money) assessments as part of the fire and rescue performance framework 2006/07. In doing this the tool is provided to initiate the work and dialogue with the authority and not provide a definitive assessment on its own. Issues, such as those you have raised, should be commented on in the authority's self assessment along with other evidence that supports the authority's achievements in improving the service. Our staff will obviously follow this up during the course of their work.

That said we are concerned that there are apparent inconsistencies with authority's returns to CIPFA regarding their expenditure. While this is not an issue solely concerning fire authorities it is something that we will be addressing with IPF in future to ensure greater comparability across the service.

Yours sincerely

A handwritten signature in black ink that reads 'Andrew Hughes'.

Andrew Hughes  
*Fire and Rescue Service National Policy Lead*  
**cc** Tony Corcoran, Relationship Manager  
Pauline Mack, Fire and Rescue Regional Service Lead

IPF

CIPFA

Mr Alan Taylor  
Chief Fire Officer  
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25<sup>th</sup> October 2006

Dear Alan

**Re: Audit Commission VFM toolkit and CIPFA Fire Statistics**

I have been sent a copy of your letter to the Audit Commission (dated 25 September) raising your concerns about the recently issued 'value for money' (vfm) toolkit and the CIPFA data contained therein. Firstly thank you for taking the time to set out your concerns so we may constructively respond and hopefully alleviate them.

To introduce myself, I have recently taken over as Manager of the CIPFA Statistical Information Service but do have experience in dealing with the fire and rescue statistics. This hopefully gives me some awareness of the challenges faced by all parties in this process, namely the authorities in providing the data to the best of their ability, and we the data collectors endeavouring to make sure the questions asked are properly defined and data are properly validated. Below I will seek to assure you of the processes we have in place to tackle these problems.

Firstly though I should emphasise that in my understanding, the toolkit should be viewed merely as a starting point before further in-depth investigation, and, as with any statistical dataset a degree of caution should be exercised when making comparisons. I know the Audit Commission are also keen to stress this fact and this is pointed out in the introductory notes on the 'Welcome' sheet of the toolkit. The information can be indicative but it is not conclusive about performance, as we all know there are a number of factors, both quantitative and qualitative, that are necessary to build a true picture of activity and performance.

Some of the data contained in the vfm toolkit is collected via a CIPFA questionnaire that is annually updated by a working group. On this group sit a number of fire and rescue service representatives along with other key stakeholders such as the Home Office and the Audit Commission. It is currently chaired by John Parry (CFO at Oxfordshire) and a representative of the Chief Fire Officers Association (CFOA), so I can assure you that the group is guided and directed by practitioners and professionals at the highest level in the service. CIPFA's role is to ensure the wishes of the group are conveyed in the statistical data collection process and to advise on the requirements of the Best Value Accounting

# IPF

# CIPFA

Code of Practice. We do accept that this group does not hold a mandate but we hope it is representative enough to ensure relevant expertise and a good cross section of views.

Currently John is working hard to ensure that the CIPFA fire statistics are both relevant and useful to the audience they serve and representatives of the LGA Fire Finance Network are also present to advise on definitions. The devil is as always, in the detail.

In terms of our processes for validating the data we do have a number of tried and tested mechanisms in place to try to ensure figures collected are reasonable and in line with the definitions. In the case expressed in your letter the concern is that authorities are not supplying data on a like for like basis, particularly in areas such as training expenses. Your case might equally be valid if you were referring to pension liabilities or non distributed costs. The fact is that there are a number of areas in which good data are needed for a variety of reasons (be it vfm work, management or strategic planning purposes) where it is difficult to establish common definitions and methodologies. This is no-one's fault, but a reflection of the complexity of this area. We are working closely with the aforementioned community to make sure the definitions and validation are as robust as possible.

In particular the question of training expenses is being taken to the Fire Finance Network for an examination of the data that should be collected and importantly, how. We are aiming to get to a position where the majority of authorities are presenting data on the same basis, as we hope it is for most of the data already collected. I think it inevitable though that there are some exceptions to this, owing to the different systems used by authorities and the assumptions made. Our task is to minimise the room for that manoeuvre, and we admit it can be complex attempting to reconcile accounting frameworks with the real information needs of the service authorities, especially in times of significant change.

So in conclusion while I can not offer an immediate solution to your issues, I trust that you will understand the challenge we face and rest assured that we have a network of interested parties working hard to get it right.

I would like to end this letter with an invite to your authority to send a representative to the fire working group. I feel this would be beneficial and ensure your voice is heard, whilst hopefully offering some practical advice on how we can sharpen and clarify our definitions. I enclose a set of minutes from our recent meeting to give you a flavour of the ground we cover.

If you have any further questions or comments please feel free to address me directly on 020 8667 8161 or by email [Nicholas.campbell@ipf.co.uk](mailto:Nicholas.campbell@ipf.co.uk).

Yours sincerely



Nicholas Campbell  
**SIS Manager (CIPFA)**  
cc: John Parry (Oxfordshire, CFOA),  
Andrew Hughes (Audit Commission)