

Fire and rescue sector audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Fire sector, and the audits that we undertake.

The briefings are produced by our national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Fire sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



Government and economic news

EY Item club winter forecast

In its latest forecast the EY Item Club cautions that, whilst it may look like the economy taking the referendum in its stride, the impression could be is deceptive. A timely reminder that trouble may lie ahead is provided by Sterling's recent performance.

The UK economy is forecast to undergo a gradual dip and recovery over the coming four years, with GDP growth slowing to 1.3% in 2017 and just 1.0% next year, before picking up to 1.4% in 2019 and 1.8% in 2020. The ability of the economy to deliver against this forecast is seen as highly dependent on its foreign trade performance, the expectation is that this will improve this year as consumer spending slows down.

In terms of inflation as measured by the Consumer Prices Index it is expected to rise in excess of 3% by the end of 2017, before falling back towards the Bank of England's 2.0% target in 2018. With the economy slowing down and wage inflation remaining subdued, the forecast is that base interest rates will be held at 0.25% by the Monetary Policy Committee until the spring of 2018.

Looking ahead, the UK's trade performance and output growth in 2019 and beyond will depend critically on the exit terms that can be agreed with the EU27 and other countries. Whilst there is greater clarity about the UK's negotiating position, elections coming up later this year in several European countries mean that the negotiating position of the EU27 will take longer to get a clear picture of. Additionally, the US election result complicates Britain's exit from the EU due to uncertainty over the US economic and foreign policy.

Future Control Room Improvement – Government update on fire and rescue authority scheme.

In January 2011 the Department for Communities and Local Government consulted on the future of fire and rescue control services. The result of the consultation was a grant of £81mn to improve control rooms. The main purpose of the grant was to help fire and rescue authorities improve the efficiency and the resilience of their local control services, strengthen their ability to interoperate with each other and with other emergency services, and thereby strengthening resilience at all levels.

23 bids were received from 44 of the 46 Fire and Rescue Authorities in England, including 15 bids from partnerships of more than one Fire and Rescue Authority.

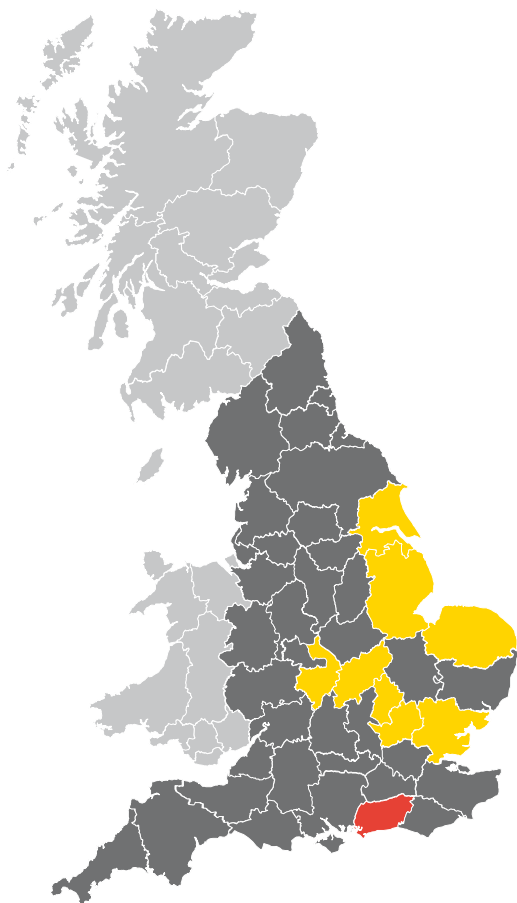
Project completion and progress update:

Six further projects have completed since the December 2015 update, they are:

- ▶ Surrey and Isle of Wight
- ▶ Staffordshire and West Midlands
- ▶ Devon and Somerset, Dorset, Hampshire and Wiltshire
- ▶ Cornwall and North Yorkshire
- ▶ Gloucestershire
- ▶ Avon



Government and economic news



Colour key:

Dark grey = completed in/before October 2016

Yellow = estimated completed March 2017

Red = estimated completed December 2017

At the moment 18 projects out of 22 are completed, which represents 82%. Remaining projects are anticipated to be completed by March 2017 (3 projects) and December 2017 (1 project)

The report contains the following map that demonstrates:

- ▶ The project partnerships that have been formed between the fire and rescue authorities
- ▶ The coverage provided by the completed projects in England, and the coverage that will be provided as the remaining projects complete

It is highlighted that already a number of authorities are taking advantage of the partnership and project management arrangements, including incident management/command support, and officer mobilising. These arrangements are expected not only to deliver efficiencies, but also to improve operational effectiveness and interoperability. Additionally there are:

- ▶ Adoption of Shared Services – One project is providing a shared IT Service Desk function for all of the partners in the collaboration
- ▶ Projects that have been designed and relocated to new control rooms providing added resilience for their critical communications equipment and an improved working environment for Control
- ▶ Projects that are beginning to harmonise common ways of working, sharing terminology and resources to maximise efficiencies and improve interoperability
- ▶ Many projects now entering into resilient arrangements with other projects that will assist during adverse or spate conditions

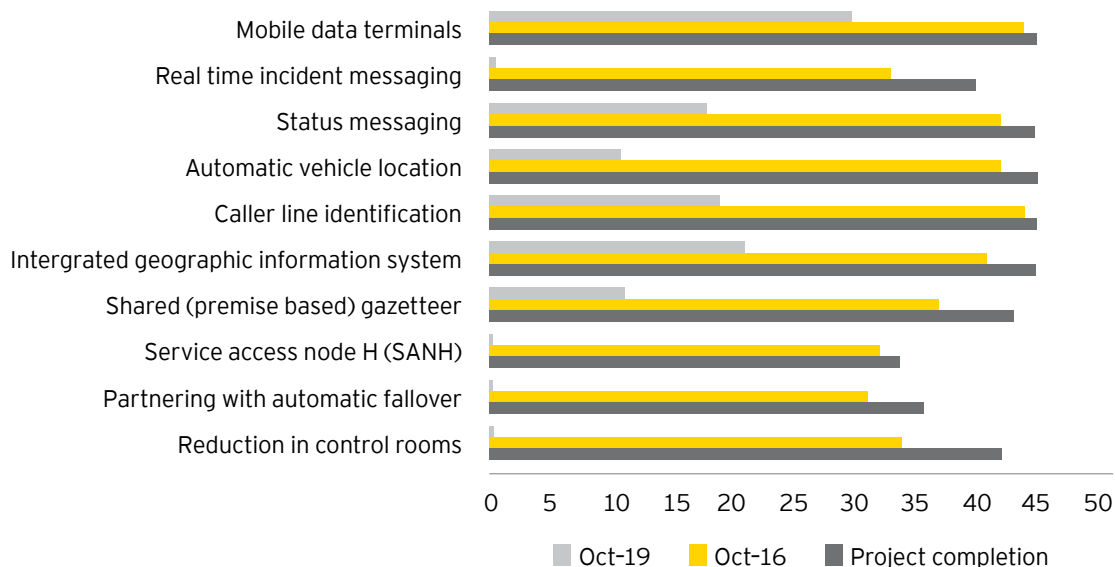


Government and economic news

Resilience benefits.

In total, 420 resilience benefits are expected to be in place when all of the projects have completed. 110 benefits were in place at the baseline of October 2009, leaving 310 resilience benefits to be delivered through the Control Rooms Scheme – see graph below.

Delivery of resilience benefits



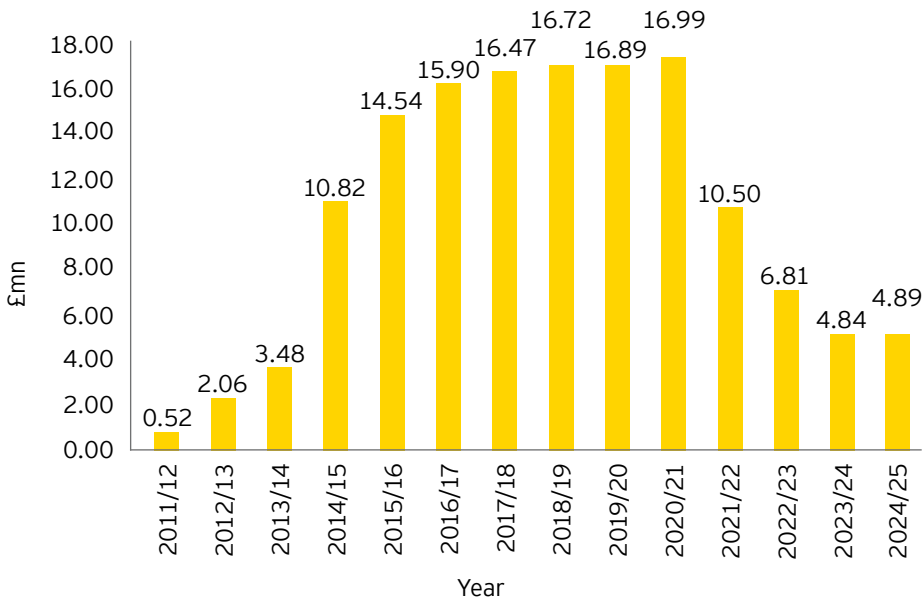


Government and economic news

Financial Benefits.

In December 2015 it was estimated that projected financial benefits from the Control Rooms Scheme would comprise £143mn. As it stands now, the total forecasted savings are £141.5mn. This is £1.5mn less than projected in December 2015, but savings remain £13.5mn more than the original 2012 base rate.

Forecast savings in £mn from 2011-2025



Savings from 2011-2025 total £141.5mn



Government and economic news

Amongst other resilience benefits that are generated by the projects, the following key improvements were highlighted:

- ▶ Improvement of the efficiency of fire and rescue control rooms
- ▶ Improvement of the ability of fire and rescue authorities to interoperate with each other and with other emergency services and agencies
- ▶ Improve local and national resilience

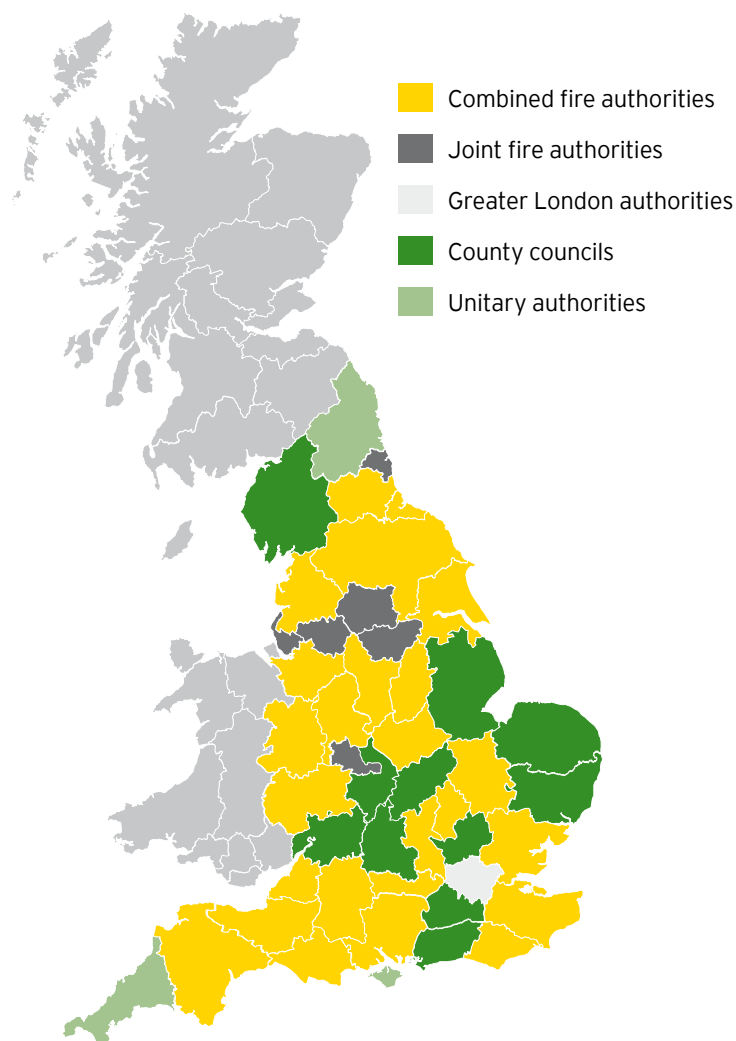
Key findings from an independent review by Adrian Thomas of conditions of service for fire and rescue staff in England

Findings from the review of efficiencies and operations in fire and rescue authorities in England, conducted and published by Sir Ken Knight in May 2013, highlighted the need for a 'condition of service' review. In his review Sir Ken identified 'inexplicable differences in the expenditure of different fire and rescue authorities in England with the net result that some authorities were spending almost twice as much as others with little relationship between that spend and any reduction in demand for operational response.'

Sir Ken also believed that there were barriers to the reform, improvement and efficiency of fire and rescue services.

As a result an independent review of condition of services for fire and rescues staff in England was launched in October 2014, under Adrian Thomas. The review covered 46 fire authorities across England (21 of them were visited), key players within government, the employers' representatives and all the employees' representative organisations.

Fire and Rescue Authority Governance and Location (March 2015)





Government and economic news

The review argues that condition of services impacts employment and operational relationships in Fire Authorities. The conclusions of the review impacts the following areas:

The working environment

Culture and trust in fire authorities require major re-building, especially in such areas as bullying and harassment, equality and diversity. There is a need for inspirational leadership to build high performing teams. To achieve improvement in these areas, the review suggests conducting an annual service wide engagement survey focused on culture, equality and trust, together with implementation of employee engagement surveys, and amendments to management objectives within each individual fire authority. In addition, management performance objectives should be linked to the results of an annual employee engagement and communication survey.

Documented conditions of service.

Currently conditions of service are documented in the Green, Grey and Gold books. The review concluded that there is little value in the Gold and Grey books. Whilst the review recommended that the Gold Book should be discontinued, the Grey Book (being an anchor of condition of services) should be significantly lessened as it is a barrier to alignment of conditions of service with local delivery by individual authority. Consideration should be given to replacing the Grey Book with a contract of employment at the local level, supported by an employee handbook.

Industrial relations

- ▶ There are a number of findings and conclusions regarding industrial relations. National Joint Council should be retained for the purposes of national pay bargaining for basic pay, whilst reforming itself to represent employers and employees on a more local basis for all other conditions of service, including the possibility of operating regionally

- ▶ Remove Technical Advisory Panels and Resolution Advisory Panel and replace with a direct to ACAS approach

Duty systems

Fire and Rescue Authorities should adopt duty systems and staffing which align fire fighter availability to the planned work load (e.g., community safety). Providing response cover appropriate to the Integrated Risk Management plan should be encouraged

Despite the difficulties in recruiting the report concluded that the retained duty system offers significant opportunity to align resources to risk at a significantly lower cost than maintaining full time cover at times of low level risk and activity

Management of the fire and rescue service

Many findings were focused on management areas of fire and rescue services. The major findings highlighted the necessity of:

- ▶ Increase in recruitment and academic standards
- ▶ Collaborative approach to the creation of succession plans and senior leader programmes with more cross authority developmental moves. It was noted that in some instances such collaboration can lead to more formal mergers. To support this the report suggests that Government should find transformational funding to support the creation of larger fire and rescue services, that offer critical mass in areas of technology introduction, recruitment, succession and development
- ▶ Maintaining an up-to-date strategic workforce plan
- ▶ Recognising that the wide and increasing range of roles and activities undertaken by fire fighters calls for a more sophisticated alignment of capability, with the activity required in support of the local Integrated Risk Management Plan, hence removing established expectation that all fire fighters attain the same level of competency across country
- ▶ Using Executive Leadership Programme in Fire Authorities



Accounting, auditing and governance

PSAA Audit Services Procurement Strategy for the appointment of local auditors

The PSAA is entering into contracts with audit firms to make auditor appointments by 31 December 2017. There are a total of 493 eligible authorities who have been invited to opt in. These include local authorities, combined authorities, police and crime commissioners, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities.

The timetable for the appointment is as follows:

Key milestone	Target date
Issue OJEU Contract Notice and Selection Questionnaire (SQ) available on request	16 February 2017
Deadline for eligible bodies to notify PSAA of their decision to opt-into the scheme for audits of 2018/19 accounts	9 March 2017
Deadline of submission of SQs	21 March 2017
Issue ITT to short-listed suppliers	6 April 2017
Deadline for submission of tenders	10 May 2017
PSAA board approves contract award	30 June 2017

The contract will be awarded for five years to suppliers but PSAA may extend this contract by two years. It is expected that opting-in will achieve lower audit fees than those authorities that choose to negotiate alone. Fees are expected to be published in March 2018.

Report on the results of auditors' work across LG bodies 2015/16

In December 2016 PSAA published its first report on the results of auditors' work across 497 principal local government bodies, including 357 councils, 31 fire and rescue authorities, 76 police bodies and 33 other local government bodies, and 9,756 small bodies, with a turnover of less than £6.5mn, including 9637 parish councils. The results within the report cover audit work on the financial statements, the WGA return, arrangements to secure value for money and any exercise of the auditor's statutory reporting powers.

The timeliness and quality is broadly consistent with prior year, however the number of early unqualified opinions (issued by 31 July 2016) doubled compared to those issued in respect of 2014/15.

96% of auditors issued an opinion on the accounts by 30 September 2016 and for the third year in a row there were no qualified opinions on principal bodies. The proportion of qualifications on value for money arrangements increased from 4% to 6%.

With faster close in place from the 2017/18 financial year, there is a need for efficiencies from both local government bodies and their auditors in order to maintain the level of performance shown in this report. EY have produced an article on 'Accelerating your financial close arrangements', this can be found by following this link [http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf). The report provides suggestions such as reviewing the format of the accounts, reviewing the approach to estimates and managing members' expectations, amongst others.



Key questions for the audit committee

Is the Authority realising the financial savings and other benefits anticipated from the Future Control Room Improvement project?

Has the Authority considered the findings of the Thomas review of conditions of service in the Fire Service, and its response to the review?

Has the Authority made a decision on whether or not to opt into the PSAA sector-led arrangements for the local appointment of auditors from 2018-19?

Has the Authority put plans in place to meet the faster close requirements for 2017/18?



Find out more

EY Item Club winter forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

Future Control Room Improvement

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/564806/Future_control_room_improvement_November_2016.pdf

Key findings from an independent review by Adrian Thomas of conditions of service for fire and rescue staff in England

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562972/Thomas_Review_-_for_publication_in_97-2003_format.pdf

PSAA Audit Services Procurement Strategy for the appointment of local auditors

<http://www.psa.co.uk/supporting-the-transition/appointing-person/procurement-strategy/>

Report on the results of auditors' work across LG bodies 2015/16

<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

[http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2017 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED None

EY-000021184.indd (UK) 02/17. Artwork by CSG London.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk