

Scottish Fire and Rescue Service

Annual Report to Members and the Auditor General
for Scotland 2013-14

November 2014



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1. Executive Summary

The Scottish Government has set an ambitious reform programme for the Scottish Fire and Rescue Service (SFRS). The Police and Fire Reform (Scotland) Act 2013 created new national Police and Fire services and the accompanying Policy Memorandum sets out the core aims of the reform programme. These aims are to:

- Protect and improve local services despite financial cuts, by stopping duplication of support services eight times over.
- Create more equal access to specialist support and national capacity eg flood rescue where and when they are needed.
- Strengthen the connection between the services and the communities they serve by providing an opportunity for more local councillors to be involved in shaping local services and for better integration with community planning.

The Police and Fire reform programme and the creation of the new national services is an ambitious and notable reform programme that has attracted considerable interest.

A Governance & Accountability Framework sets out the broad governance structures within which SFRS operates and defines key roles and responsibilities which underpin the accountability relationships between SFRS and Scottish Government. It is linked to the Fire and Rescue Framework for Scotland which sets out the Government's strategic priorities for SFRS. The reforms seek to place local communities at the heart of the provision of fire and rescue services. There are three key elements to this:

- the designation of a Local Senior Officer (LSO),
- the production of a local fire and rescue plan for each local authority area approved by the local authority, and
- the creation of formal relationships between local authorities and the service.

The key messages from our Annual Report on the Service are:

Financial position

The Service lived within its delegated resource budget of £272.7 million in 2013-14. The 2014-15 budget has been set at £265.2 million and the latest financial projections indicate that there could be a year-end overspend of £0.696 million, although steps are being taken to seek to manage the position. The indicative budget for 2015-16 envisages that there will be further £7 million reduction in the overall budget. Looking ahead it is clear that the Service faces an increasingly tight financial position and will need to continue to secure operational efficiencies to manage the position.

Financial statements

We issued an unqualified opinion on the Service's 2013-14 financial statements.

Governance

Governance arrangements are in place and in particular the Board has established its committee structure and a Risk management policy has been agreed. Audit Scotland are currently undertaking a performance audit that is considering the effectiveness of the Service's governance arrangements.

Performance

The 2013-16 Strategic Plan sets out the outcomes that SFRS want to deliver over the three year period to 2016 in line with Scottish Fire and Rescue Framework.

SFRS achieved green or amber status on 83% of their targets. The Annual Performance Review 2013-14 published in June 2014 provides an explanation of performance against the targets.

The Board received quarterly performance monitoring reports through the year on performance against the Strategic Plan.

The HMFSI inspection of 'Equal access to national capacity' identified less variation in access than was anticipated, however the report did highlight a number of areas to address including the key issue of the Retained Duty System. The Emergency Medical

Response report highlighted that there are real benefits to be gained by closer working with the Scottish Ambulance Service and there is scope for more co-responder schemes.

Key Findings

Reporting Area	Our Summary
Financial Position	<ul style="list-style-type: none"> • SFRS lived within its delegated resource budget in 2013-14. • The 2014-15 budget has been set in the challenging context of the savings expectations of reform.
Governance	<ul style="list-style-type: none"> • Initiatives are being developed to address the projected in-year over spend. • Management are reviewing the implications of long-term pressures and savings strategies. • On 1 April 2013, responsibility for fire and rescue services in Scotland transferred to the new national Fire and Rescue Service. • Governance arrangements were established in shadow form in October 2012 and have developed over the 18 month period to March 2014. • The Board have adopted Good Practice principles in its development and has assessed itself as performing effectively with a limited number of development areas to address.
Performance	<ul style="list-style-type: none"> • A Planning and Performance Frameworks has been developed. • The Scottish Fire and Rescue Service achieved green or amber status on 83% of its performance targets. • Overall it is anticipated that the Annual Operating Plan will be largely implemented by the end of the financial year. • The Service face a number of challenges in delivering its project and programme delivery.

2. Introduction

Introduction

The Auditor General for Scotland appointed Grant Thornton LLP as auditors to the Scottish Fire and Rescue Service (SFRS) under the Public Finance and Accountability (Scotland) Act 2000 for a three year period from 2013. This is the second year of our appointment. This report summarises the findings from our audit work for the year ended 31 March 2014.

Our responsibilities

It is a condition of our appointment that we meet the requirements of the Code of Audit Practice, which is approved by Audit Scotland and the Auditor General for Scotland. The most recent Code was published in May 2011 and applies to audits for financial years starting on or after 1 April 2011.

The Code of Audit Practice highlights the special accountabilities that are attached to the conduct of public business and the use of public money. This means that public sector audit must be planned and undertaken from a wider perspective than the private sector. We are therefore required to provide assurance, not only on the financial statements and annual governance statement, but also on Best Value, use of resources and performance.

Our Annual Report

This report summarises the findings from our 2013-14 audit of the Scottish Fire and Rescue Service. The scope of our work was set out in our Audit Plan, which was presented to the Audit and Risk Assurance committee on 11 March 2014.

Acknowledgements

We would like to take this opportunity to record our appreciation for the kind assistance provided by the Finance Team and other staff during our audit.

3. Financial Position

SFRS lived within its delegated resource budget in 2013-14. The 2014-15 budget has been set in the challenging context of the savings expectations of reform. Initiatives are being developed to address the projected in-year over spend. Management are reviewing the implications of long-term pressures and savings strategies.

Financial Reporting

The Statement of Accounts is the key method that bodies use to report to the Board and the public on how effectively they use public funds. However, SFRS is a large and complex organisation and the nature of the accounting framework means that large accounting adjustments are made to the accounts that can be difficult to explain and understand.

We reviewed the Annual Report and concluded that it provides a reasonable summary of SFRS's financial performance for the 2013-14 financial year.

Preparation of the Annual Report and Accounts

The agreed submission date, as included in the 2013-14 Audit Plan, of the unaudited Annual Report and Accounts for audit was 30 June 2014. The first draft of the Annual Report and Accounts was received on 28 August 2014. The production of the Annual Report and Accounts was a demanding process due to a number of factors including:

- Transfer of property, plant and equipment from antecedent bodies.
- Consolidation of payroll information from eight payroll systems.
- Unfamiliarity with the FReM.

The finance team had a number of demanding tasks to achieve during 2013-14 culminating in the production of the Annual Report and Accounts. A significant amount of work was required to transfer the assets to the SFRS fixed asset register. We did not identify any issues with the process or the fixed asset register.

Officers set themselves a demanding timetable for production of the draft Annual Report and Accounts

that was not met. We were kept aware of delays and officers worked with us to manage the position. We issued an unqualified audit opinion and acknowledge the hard work of officers in this achievement.

The production of the first full Annual Report and Accounts was always going to be a demanding task and there are clearly lessons to be learnt for the future. In particular it is important that there is sufficient capacity in place to both produce the draft statements and to respond to audit queries. Officers have responded positively to the situation and are committed to securing the required improvements. The Finance Team has undertaken a 'lessons learned' review of the process. We will work with the Finance Team to help secure improvements in the accounts production and audit process.

Recommendation 1

SFRS should produce a comprehensive closedown plan for 2014-15 building on the lessons learnt from 2013-14.

We identified a number of adjustments, misclassifications and disclosure omissions during the course of the audit. All adjustments were processed by management.

We reported in our Audit Findings update letter that a Sustainability Report had not been included in the Strategic Report. Production of a Sustainability Report should be included. Steps should be taken to ensure that the appropriate data is collected and a Sustainability Report is included in the 2014-15 Strategic Report.

Regularity

We did not identify any instances of irregular expenditure or non-compliance with laws and

regulations. However we noted there were no documented procedures for identifying and approving contentious expenditure.

Recommendation 2

SFRS should develop a policy for identifying and dealing with contentious expenditure and fruitless payments.

Whole of Government Accounts

The deadline for submitting the unaudited Data Collection Tool (DCT) to Scottish Government was 30 June 2014. The DCT was submitted on 7 November 2014.

Recommendation 3

SFRS should include the production of the DCT as part of the 2014-15 closedown plan to ensure deadlines are met.

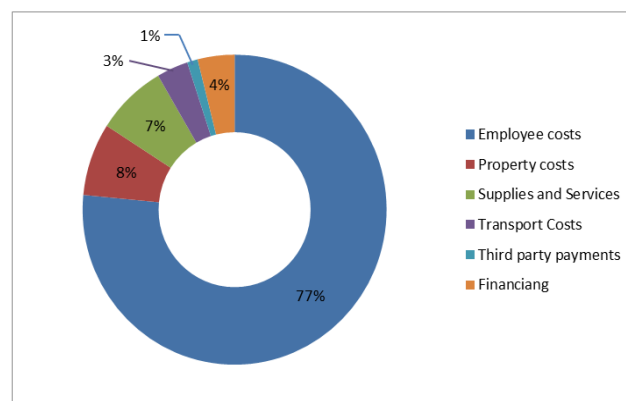
We are currently in the process of completing our audit of the DCT.

Financial Position

The Budget (Scotland) Bill, passed by the Scottish Parliament on 6 February 2013, set the Resource funding for SFRS at £277.238 million for 2013-14. This funding comprised £274.8 million transferred from the Local Government Settlement, reduced for £7.6 million of Fire Reform savings, plus £10.038 million from Scottish Resilience to fund the Scottish Fire Service College at Gullane (£5.388 million), the Firelink radio system (£4.5 million) and fire safety publicity (£0.15 million).

The original approved budget for 2013-14 was £277.2 million. The most significant area of expenditure in the approved budget is employee costs of £217 million (77%).

Figure 1: 2013-14 approved revenue expenditure



source: SFRS revenue budget 2013-14

The budget included a number of identified savings in relation to transitional staff costs of £10.4 million and non-employee cost savings of £7.2 million in addition to adjusted unallocated savings of £3.4 million. Additional savings identified in the September 2013 monitoring report included:

- Employee costs £1.966 million.
- Property costs £0.160 million.
- Supplies and services £1.082 million.
- Transport costs £0.160 million.
- Third party payments £0.057 million.

The out-turn resulted in an underspend of expenditure of £7.734 million. The majority of the underspend was as a result of loan repayments originally budgeted for under resource expenditure of £5.848 million which should not have been included within the DEL budget and £2.538 million underspend against employee cost budgets. Underspends were offset in part by overspends in supplies and services budgets including IT costs (£210k), laundry costs (£233k), hydrant maintenance (£177k) and accelerated equipment maintenance resulting in an overspend of £299k.

Table1: Budget v actual 2013-14

	Revised Budget £'000	Out-turn £'000	(Under)/ Over £'000
Employee salary costs	206,416	205,074	(1,342)
Employee other costs	6,539	5,343	(1,196)
Property costs	20,611	20,868	257
Supplies and services	15,631	16,800	1,169
Transport costs	9,887	9,436	(451)
Third party payments	3,313	2,810	(503)
Financing	11,049	5,381	(5,668)
Gross Expenditure	273,446	265,712	(7,734)
Gross Income	(719)	(1,392)	(673)

Source: SFRS revenue budget monitoring report period 12 2013-14

The cash GiA drawn down in the financial year 2013-14 was £262.3 million for both resource and capital purposes against a cash Departmental Expenditure Limit (DEL) budget of £289.5 million. The cash variance of £27 million consists of an underspend in operational expenditure of £8.4 million and £18.8 million of purchases received but not paid for as at 31 March 2014. This means that expenditure relating to 2013-14 has been paid from the 2014-15 cash budget.

On 1 April 2014, SFRS became operational and all assets and liabilities of the antecedent bodies transferred to SFRS.

Table 2: Transferred balances

Balance Transferred	£'000
Non-current Assets and Other Long Term Debtors	484,625
Current Assets	54,080
Current Liabilities	(65,228)
Non-Current Liabilities	(2,902,629)
Total	(2,429,152)

Source: SFRS Annual Report and Accounts 2013-14

As at 31 March 2014, SFRS had negative reserves of £2.8 billion, the majority of this relates to the negative Pension Reserve of £3.1 billion which is off set by the General Reserve of £267.7 million and the Revaluation Reserve of £119.6 million. The Pension Reserve reflects the actuarial valuation of the cost of meeting future pension liabilities. The Scottish Government has committed to meeting the actual costs as they arise.

Property, plant and equipment with a net book value of £472.5 was transferred to SFRS from the antecedent bodies and Scottish Government. The depreciation charge in the year was £21.5 million. A significant amount of the assets were re-valued as at 31 March 2014 resulting in an impairment charge of £8.1 million and an upwards re-valuation credited to the revaluation reserve of £25.6 million.

During 2013-14, £22.7 million was invested in assets. This was spent on a number of areas including 16 new fire appliances allocated across Scotland, completion of the Technical Rescue Zone at Cambuslang Training Centre and the Carbonaceous Training site at Dundee Airport.

Looking forward

The delegated resource budget for 2014-15 is £265.241million, SFRS has been given flexibility to transfer £1 million from the capital budget giving a total resource budget for 2014/15 of £266.241 million.

The forecast out-turn position for 2014-15 at the end of Quarter 2 shows an overspend of £0.696 million. The significant areas that are contributing to this overspend are; pressure on the overtime budget for Wholetime personnel; supplies and services; property costs; under recovery of income and Third Party Payments. Projected savings in staff costs are partially offsetting the above items.

The Quarter 2 monitoring report has identified a number of initiatives to be implemented to address the overspend:

- Ensure the Resource Based Crewing model is fully implemented as agreed for 2014/15 to redistribute personnel from areas of over-provision to areas of under-provision as a matter of urgency.
- Ensure the short-life working groups in each of the SDA area have been established with a remit to develop a better understanding of the drivers for overtime, take steps to control them and contain costs within budget e.g. absence, scheduling of training, detached duty policies.
- Ensure all appropriate charges are being applied e.g. special services at major events.
- Consider options and make a decision on catering provision across the service e.g. fire stations, meetings etc.
- Review expenditure on subscriptions, postage, stationery etc. to identify and stop waste.
- Consider spend to save investment to review and standardise requirements for cleaning across the service.

Recommendation 4

SFRS need to ensure that current initiatives to control expenditure in 2014-15 will produced the required savings without detrimentally impacting service provision. Close monitoring of saving initiatives will be required.

The approved capital budget for 2014-15 is £22.3 million. The forecast capital expenditure as at quarter 2 is £74k (0.3%) above the original capital programme, as a result of unanticipated miscellaneous receipts from vehicle sales which are being reinvested. The capital slippage at Quarter 2 is reported to be £3.815 million. SFRS have introduced phasing of the capital spend and the reported slippage is as a result of the estimated phasing of the expenditure as opposed to genuine slippage in capital projects.

Capital expenditure is being funded through capital DEL, capital receipts and external funding.

Table 3: Capital financing

Funding Source	£'000
Capital DEL	21,300
Capital Receipts	1,049
External Funding	26
Total Requirement	22,375

Source: Capital budget 2013-14

The 2015-16 Budget Strategy was presented to members in November 2014. The time table for approving the 2015-16 budgets is February 2015. A number of workshops will be held during December 2014 and January 2015

The Resource DEL for 2015-16 is £259.221 million which is £7 million (2%) less than the 2014-15 Resource DEL. SFRS will not have the flexibility to transfer capital budget to revenue budget in 2015-16 nor will any transitional funding be available.

Over the reform period, up to 2015/16, annual funding available to SFRS has reduced in cash terms by circa £31.5 million. Management are reviewing the impact of long term budget pressures and funding cuts. A number of savings initiatives with reference to Audit Scotland's report 'Learning the Lessons of Public Body Mergers' have been identified and have delivered savings to date of £25.5 million with anticipated future savings of £29.9 million.

A funding gap is currently projected, however SFRS are working towards identifying further, sustainable savings.

4. Governance

On 1 April 2013, responsibility for fire and rescue services in Scotland transferred to the new national Fire and Rescue Service. Governance arrangements were established in shadow form in October 2012 and have developed over the 18 month period to March 2014. The Board has adopted Good Practice principles in its development and has assessed itself as performing effectively with a limited number development areas to address.

Governance arrangements

SFRS Board

An annual review of the effectiveness of the SFRS Board commenced in February 2014. Using a broad operating framework of self-assessment tools, guidance and externally facilitated workshops from professional bodies, such as the Chartered Institute of Public Finance and Accountancy (CIPFA), the review was led by the Deputy Chair of the Board and covered the following key areas:

- Overall Board effectiveness.
- Board and Committee composition.
- Board Skills analysis.
- Appraisals of individual Board Members with the Chair of the Board.
- Personal Development Plans for each Board Member.

The key outcomes of the 2014 review of the effectiveness of the SFRS Board are outlined below and form the basis of an action plan, setting out improvement actions and timescales.

- The development of a Board Operating framework that enables the Board to perform its roles efficiently and effectively.
- The development of a Corporate Governance Standard that enables the Board and its staff to apply common principles of good governance and assess and improve its governance practices.
- Conduct a full review of the Board's Committee structures, to ensure that they add value to the Board's scrutiny and assurance role.
- The production of Personal Development Plans by the Chair for each of the Board Members.

Audit and Risk Assurance Committee

In the 2013-2014 Annual Report of the Audit and Risk Assurance Committee, the work of the committee over the year is summarised against the following remit areas:

- Internal Audit
- External Audit
- HMFSI
- Risk Management.
- Financial Reporting

The effectiveness of the Committee was assessed through the completion of the Scottish Government Audit Committee self-assessment checklist.

The Audit and Risk Assurance Committee concluded that 'based upon the work of the Committee during the period under review and the assurances that we have received, we are of the opinion that the SFRS has effective risk management, governance and internal control arrangements in place that are sufficient to give the Accountable Officer and Board the necessary assurance in relation to the Annual Governance Statement.'

Scottish Government

The Scottish Fire and Rescue Service Governance and Accountability Framework has been drawn up by the Scottish Government in consultation with SFRS. It sets out the broad governance structures within which SFRS will operate and defines key roles and responsibilities which underpin the accountability relationships between SFRS and Scottish Government. It is linked to the Fire and Rescue Framework for Scotland which sets out Ministers' strategic priorities for SFRS.

Local scrutiny arrangements

With the exception of one Local Plan which is in draft, all Local Plans have been approved.

The Police and Fire Reform (Scotland) Act 2012 requires local plans to contain:

- Priorities and objectives for SFRS in connection with carrying out duties in the local authority's area of SFRS's functions.
- The reasons for selecting each of those priorities and objectives.
- How SFRS proposes to deliver those priorities and objectives.
- In so far as is reasonably practicable, outcomes by reference to which delivery of those priorities and objectives can be measured.
- How those priorities and objectives are expected to contribute to the delivery of any other relevant local outcomes which are identified by community planning.
- Such other matters relating to the carrying out of SFRS's functions in the local authority's area as SFRS thinks fit.

External Regulators

The Police and Fire Reform (Scotland) Act 2012 places a duty on the Auditor General for Scotland and HM Fire Service Inspectorate (HMFSI) to cooperate and coordinate inspection and scrutiny activity. A Memorandum of Understanding is in place, furthermore at a recent meeting between Audit Scotland, HMFSI and Grant Thornton it was agreed that all three scrutiny bodies would formally meet three times per year to discuss findings arising from recent work and forward work plans.

Annual Governance Statement

An Annual Governance Statement (AGS) forms part of SFRS's annual report and summarises the internal control framework, including arrangements for risk management, financial governance and accountability. We reviewed the AGS as part of our annual audit procedures and we are satisfied that it is in line with our

understanding of the internal controls in place at SFRS. The AGS is underpinned by an Assurance Framework. In line with good practice, the AGS and supporting Assurance Framework was discussed at the Audit and Risk Assurance Committee in March 2014.

Fraud Corruption and Standards of Conduct

We have a responsibility to consider and report on any fraud or corruption we become aware of as part of our audit. In the period to 31 March 2014 no fraud or corruption was detected or reported.

Key policies on anti-fraud and corruption and whistleblowing were considered by the Audit and Risk Assurance Committee in November 2013 and June 2014 respectively.

Since 1 April 2013 and the expansion of activities and staff, SFRS has been involved in the National Fraud Initiative, with an aim to prevent and detect fraud and corruption by matching data between organisations.

We are required to complete an Audit Scotland questionnaire by 30 June 2015 to record the auditor's assessment of the audited body's NFI arrangements, participation, investigation and reporting of matches returned to it in January 2015.

A Members' Code of Conduct was approved in June 2014.

Internal Audit

Under the terms of the Scottish Government Shared Service arrangements, the Scottish Government Internal Audit Division (SGIAD) has agreed to provide an internal audit service for SFRS from April 2013 for an initial two year period. Two members of SFRS staff work alongside SGIAD in delivering the internal audit plan under a co-sourcing arrangement.

The Internal Audit plan for 2014-15 was presented to the Audit Committee on 10 June 2014.

The audit plan, of 525 resource days, focuses on Governance arrangements and key corporate systems including the Service Transformation programme, stock and inventories and procurement. The cost of the service is expected to be in the region of £50,837 (plus VAT).

Strategic Intent

The Board, at its meeting in June 2013 agreed that a review of property requirements would be undertaken in relation to the following support functions:

- National Training Facilities.
- Control Rooms.
- Vehicle and Equipment Workshops.
- ICT Data Centres.
- Office Accommodation.
- National Headquarters.

Ryden commercial property specialists were appointed to undertake a baseline review of the in-scope inherited property portfolio and to conduct a professional options appraisal.

The options appraisal process and outcome were presented to the Board with the Strategic Intent document being approved by the Board in September 2013.

The Strategic Intent document sets out SFRS's plans in relation to estate rationalisation. A number of strategic risks and mitigating actions were identified. The employee impact of the Strategic Intent document is significant.

It is intended that employees who are displaced as a result of functions relocating will have access to a range of SFRS Change Management policies such as:

- Voluntary Severance or Early Retirement.
- Relocation.
- Redeployment.
- Pay Protection.
- Travel Expenses.

In addition, SFRS will make available flexible working arrangements, will consider the business needs of co-locating teams and will make every effort to fill any vacant posts that emerge within the structure internally, to allow those staff who are displaced to attain a suitable alternative role within the SFRS structure.

The financial options appraisal, based on indicative cash flows, shows a Net Present Cost of the proposed rationalisation and investment strategy of £133.4 million over 30 years, in comparison to the minimum “no change” option of £222 million.

The proposed rationalisation and investment strategy has been estimated to deliver circa £18 million in capital receipts from disposals and requires £17.5 million of investment in new properties, refurbishments and backlog maintenance to provide a fit-for purpose estate.

Overall the strategy is estimated to deliver a net positive capital position of circa £0.5 million over 5 years and results in annual savings on property running costs of £4.7 million.

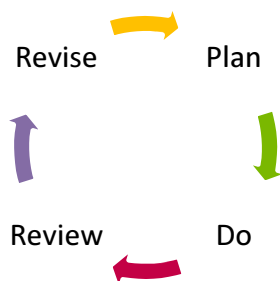
5. Performance

A Planning and Performance Frameworks has been developed. The Scottish Fire and Rescue Service achieved green or amber status on 83% of its performance targets. Overall it is anticipated that the Annual Operating Plan will be largely implemented by the end of the financial year. The Service face a number of challenges in delivering its project and programme delivery.

Planning and Performance Framework

The Planning and Performance Framework was approved by the Board in March 2014. The Framework has been developed to support the achievement of the targets set out by Scottish Government in the Fire and Rescue Framework for Scotland 2013 and the Strategic Aims and outcomes of SFRS.

The Framework is built around the following performance cycle.



The Framework has been based on a set of Key Principles.

Key Principles

- Bold Aspirations
- A Coherent Set of Performance Measures and Targets
- Ownership and Accountability
- Integration of Risk Management
- Rigorous Performance Review
- Strengthening Improvement

The Framework is an overarching guide to best practice in planning and performance management and has been developed by taking account of the feedback and

recommendations provided by Audit Scotland, following Best Value audits in the antecedent Fire and rescue Service organisations.

To supplement this Framework, a planning and reporting schedule together with a series of guidance documents will be produced to ensure statutory responsibilities are met and good practice is shared and embedded throughout the organisation.

Self-assessment will form an integral part of continuous improvement and performance management. A self-assessment process is yet to be developed. The Service intends to develop and implement a self-assessment programme using the Public Service Improvement Framework (PSIF).

Annual Performance Review 2013-14

The 2013-16 strategic plan sets out the outcomes that SFRS want to deliver over the three year period to 2016 in line with Scottish Fire and Rescue Framework.

The Board received quarterly performance monitoring reports through the year on performance against the Strategic Plan.

The Annual Performance Review 2013-14 published in June 2014 provides an explanation of performance against the targets. The target for reducing special service casualties has not been met. The Service is developing a framework to manage road safety, which will reflect national agreements and link directly with the

work of key partner agencies. The Performance Review also details how the Service are working towards the Corporate Expectations and details the status of current projects.

Figure 1: 2013-14 approved revenue expenditure

Target	Performance	
Reduce fire casualties by 5% each year	AMBER	The reduction achieved this year against the previous three year average rate is 1.8%.
Reduce specialist services casualties	RED	The actual rate in 2013-14 was 3.2% higher than the target rate.
Reduce accidental dwelling fires by 10% each year	AMBER	A reduction of 9% in the rate compared to the previous three year average was recorded.
Reduce the number of non-domestic fires	GREEN	The rate of non-domestic fires has marginally reduced from 16.61 in 2012-13 to 16.45 in 2013-14
Reduce firefighter injuries	GREEN	The number of reported incidents has fallen from 55 in 2012-13 to 27 in 2013-14.
Improve staff attendance levels at work	AMBER	The average days lost per rider shift has increased by 8%. The average days lost per FTE other staff has increased by 5%

Source: SFRS Annual Performance Review 2013-14

Annual Operating Plan

The Annual Operating Plan 2014-15 was approved by the Board in March 2014 and details the four strategic aims of SFRS.

Strategic Aims

- Improved safety of our communities and staff.
- More equitable access to fire and rescue services.
- Improved outcomes through partnerships.
- Develop a culture of continuous improvement.

For each Strategic Aim, the plan details what SFRS will do, how they will do it and when it will be done. The Operating Plan contains 20 outcomes supported by 37 actions which breakdown into 153 clearly measurable milestones. Performance against the plan is measured through quarterly reports to the Board. Milestones for each quarter have been identified.

As at quarter 2, 25 milestones were on target, 24 had not achieved milestone target but were still on track to achieve overall objective target date and two will not achieve the target date. The two which will not achieve the target date relate to producing a report on the cultural audit and development of a values framework which was delayed due to sourcing an appropriate provider to facilitate the survey and extension of the

ISO9001 accreditation for ICT. In addition it has been noted that staff vacancies within the Finance and Contractual Services Directorate are anticipated to have an impact on both procurement and ICT deliverables. The Finance and Contractual Services team monitor performance on a regular basis to identify issues and solutions.

Overall it is anticipated that the Annual Operating Plan will be largely delivered by the end of the financial year.

Transformation Programme

The Service Transformation Programme is aligned to the Fire and Rescue Framework for Scotland 2013 and the SFRS Strategic Plan 2013-2016. The programme has been developed in line with the four strategic aims of the Service:

- Improved safety of our communities and staff.
- Equal access to fire and rescue services.
- Improved outcomes through partnership.
- Develop a culture of continuous improvement.

The transition will be managed in three phases:

- Phase 1 – Merge eight services into a single service.
- Phase 2 – Development of a single service.
- Phase 3 – Adding value through improvement.

Strong governance and programme management arrangements have been established including:

- A Programme Board to manage the design, set up and delivery of the Programme and to ensure appropriate co-ordination across the projects that comprise the Programme.
- A Service Transformation Committee to provide Board level governance and direction in the design, set up and delivery of the Programme to realise the stated benefits. Members will provide resource and specific

commitment to support the Senior Responsible Owner (SRO).

- A Programme Office will be established to provide support to the SRO, Programme Manager and Programme Board.
- A Projects Dossier will be prepared to provide a description of each project, its objectives, requirements and specific outputs. This will also detail dependencies with other projects and the contribution the project will make to the benefits of reform.
- Projects will maintain a risk register, adhering to the approaches outlined in the Corporate/Programme Risk Management Strategy.
- A critical milestone plan has been developed to aid monitoring towards delivery of the programme. This plan will allow pressure points in delivery to be highlighted and aid decisions on the management of resources.
- A Programme Assurance Plan has been developed to put in place the necessary mechanisms through which the SRO and stakeholders can gain confidence that the programme is on track.

HMFSI Work Programme

During the year, HMFSI carried out the following reviews:

Preparedness of the Scottish Fire and Rescue Service for the XX Commonwealth Games

The report concluded that overall, we are of the view that the SFRS has planned and prepared adequately for the 2014 Commonwealth Games, and will deliver the public safety outcomes that the Games organisers, the Scottish Government, and the community expect of it.

Equal Access to National Resources

The report has identified three key priority areas for focus:

- The sustainability of the Retained Duty System (RDS) and volunteer units is one of the major strategic challenges facing the Scottish Fire and Rescue Service.
- The general condition and age profile of Personal Protective Equipment (PPE) might be indicating the need for an expensive replacement programme.
- Potential changes to training delivery are causing some concerns amongst staff and initial training available to new recruits to RDS and volunteer units might be better tailored to suit their specific needs.

The Strategic Leadership Team (SLT) have prepared a response to the recommendations which detailed the actions SLT are implementing to address the issues identified in the review including:

- The RDS and Volunteer project will consider standardising and consolidating a sustainable RDS and Volunteer service in the short to medium term and to explore future options for medium to longer term which will be visionary, bold and innovative.

- The approved Training and Employee Development department staffing structure has been developed from the bottom up, allocating sufficient instructors to Local Service Officer areas, specifically to meet the training requirements and demands of all RDS crews in the area.
- A review of the arrangements for laundry and maintenance of PPE is currently underway and is due to report in Autumn 2014 with recommendations to take this forward.
- The suitability of drying/ storage facilities are being assessed through property condition/ suitability surveys.
- A tender process is underway in relation to firekit to ensure we have continuity of supply for this safety critical equipment.

Emergency Medical Response

The report points clearly towards a significant contribution which SFRS could make towards out of hospital cardiac arrest survivability through close cooperation with the Scottish Ambulance Service, however transformational change is required in the relationship between the two organisations.

Risk Based Decision Making

The review has focused on training and development offerings, staff attitude and preparedness and is due to be published November 2014.

Performance Management Information Systems

The review is currently underway and the report is due to be published in March 2015.

Allocating Resources in the Scottish Fire and Rescue Service

The review is currently underway and the report is due to be published in March 2015.

Audit Scotland Performance Audit

Audit Scotland are currently undertaking a Performance Audit. The audit will build on previous audit and inspection work including the Best Value reviews of the antecedent organisations and the HMFSI Overview Report. The overall aim of the audit is to answer the question: What progress has the SFRS made in improving the efficiency and effectiveness of fire and rescue services in Scotland?

The specific questions are:

- How well was the fire reform process managed?
- Are the SFRS's governance and financial management arrangements effective?
- How effectively is the SFRS planning and using its resources to improve efficiency and deliver savings?

The report is expected to be published in May 2015.

National Studies

Audit Scotland requires us to provide core information on how SFRS has responded to national performance reports.

To promote impact at a local level, one or two national reports are subject to more targeted follow up each year. For 2013-14, we have been asked to follow up Managing ICT contracts: An audit of three public sector programmes which was published in August 2012.

Managing ICT contracts: An audit of three public sector programmes

In December 2011 the Auditor General for Scotland prepared separate short reports, concerned with the delay in, or cancellation of, key information and communications technology (ICT) projects undertaken by the Crown Office and Procurator Fiscal Service, Disclosure Scotland and Registers of Scotland.

Following on from this, the August 2012 report examined the ICT contracts at these three public sector bodies in more detail and looked at which factors contributed to the problems encountered and whether any lessons learned could be used by other public sector bodies when undertaking ICT-related programmes in future.

The work conducted by Audit Scotland in 2012 highlighted a number of issues in the management of ICT-related projects in the three public sector bodies that were reviewed. The published report set out the lessons learned that could be applied by other central government bodies in order to promote and encourage best practice.

Key messages were centred around three main areas:

- Skills and experience
- Governance
- Business cases

Our review was based on a checklist produced by Audit Scotland drawing on good practice identified in the report.

We have concluded that in all instances SFRS is either meeting the requirements set out in the scrutiny questions or have demonstrated an awareness of areas where improvement is required – as identified via the Gateway Review or via their own scrutiny as part of their project and programme management process – and have taken/are taking action to identify and implement those improvements.

From our review, key challenges faced and being addressed by SFRS in relation to project and programme delivery are:

- **Availability of (people) resources** – a number of projects, including the HR and Payroll project, have an amber or red rated risk in relation to resources. An analysis of skills, timing of resource requirement and project interdependencies is in progress. A shortage of

project managers, specialist skills in HR, ICT and Procurement has been documented

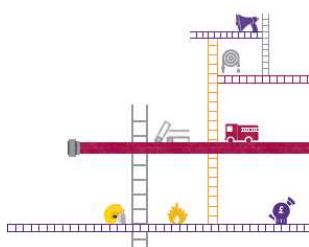
- **Scale and complexity of the projects and programmes** – the scale of the work to be undertaken and timeframes for completion are ambitious. There are multiple interdependencies and the scale/complexity of the move from 8 services to 1 is not always known/easily anticipated resulting in a risk of underestimating the work involved and/or the time required to complete the work.
- **Benefits identification and tracking** – it is not always straightforward to attribute benefits to a set project or component of work. And some projects may be dependent on the delivery of other projects to realise their benefits in full. Work in relation to benefits realization has identified that improved documenting/defining of benefits is required at a project level and that overall coverage and review of benefits and tracing beyond project close is required at programme level, with work in this area ongoing.

Better collaborative procurement in the fire sector

Grant Thornton

Better collaborative procurement in the fire sector

Summary report of our UK fire services market study. November 2014



Since the mid-1990s there has been a series of reviews which have drawn a clear conclusion for the need of better joined-up procurement in the fire and rescue sector, which would result in delivering significant savings and improved efficiency. This clear conclusion was more recently reached from research sponsored by the

Government and the Chief Fire Officers Association (CFOA), despite this there has been limited progress in establishing a framework for joined-up procurement across the fire service so far. Although, with the UK government now confirming that it expects the sector to make progress around this issue, and fire authorities looking for ways to save money as they deal with a continuing squeeze on their budgets, the situation could be changing. Most

significantly, CFOA has published a new procurement strategy for fire and rescue authorities and is seeking to transform the way the sector procures going forward.

Our recent UK fire summit examined the prospects for achieving better collaborative procurement within the fire sector. It considered the attitudes to collaborative procurement, the barriers to making progress and crucially what needs to happen to achieve the step change that the new CFOA strategy is seeking to achieve. A report was produced detailing the key issues discussed.

The report included the following case study of the Scottish Fire and Rescue Service.

Challenge and Scrutiny in the Scottish Fire and Rescue Service

The combination of the creation of a large fire organisation and rigorous scrutiny in Scotland has driven a new, stronger commercial approach in the sector.

Merging eight fire authorities into one produced a large organisation, which has the potential to pay better salaries to attract a caliber of individual which could professionalise the sector. The scale of the merger also reinforced the idea that the fire service is a business, and that it has to be efficient with public money.

Alongside this, there is also a high level of scrutiny. With the merger, local authorities were replaced with a board of public appointees, comprised of non-executive directors from a range of public and private sector senior executive backgrounds. In addition, the service is accountable to the Scottish government through a number of documented relationships, as well as to a sponsor unit within it which has a strong commercial approach. All of these are challenging the chief fire officer and senior management on matters of financial accountability.

Appendix A: Recommendations

Ref	Issue Arising	Recommendation	Management Response	Due By
1	The agreed submission date of the unaudited Annual Report and Accounts for audit was 30 June 2014. The first draft of the Annual Report and Accounts was received on 28 August 2014.	SFRS should produce a comprehensive closedown plan for 2014-15 building on the lessons learnt from 2013-14.	Accepted. A formal debrief process has been undertaken by the Finance Team. This will now be shared with the Audit Team and an action plan agreed. The Finance Team have already identified this as a key improvement.	31 March 2015
2	There are no documented procedures for identifying and approving contentious expenditure.	SFRS should develop a policy for identifying and dealing with contentious expenditure and fruitless payments.	Accepted.	31 March 2015
3	The deadline for submitting the unaudited Data Collection Tool (DCT) to Scottish Government was 30 June 2014. The DCT was submitted on 7 November 2014.	SFRS should include the production of the DCT as part of the 2014-15 closedown plan to ensure deadlines are met.	Accepted – as per item 1.	31 March 2015
4	The forecast out-turn position for 2014-15 at the end of Quarter 2 shows an overspend of £0.696 million.	SFRS need to ensure that current initiatives to control expenditure in 2014-15 will produced the required savings without detrimentally impacting service provision. Close monitoring of saving initiatives will be required.	Regular monitoring is ongoing and is reported monthly to the SLT and to the Board at each of their meetings.	31 March 2015



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