

# Audit Progress Report and Sector Update

Staffordshire Commissioner Fire and Rescue Authority  
Year ending 31 March 2019

December 2018



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# Introduction



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This paper provides the Ethics Transparency and Audit Panel with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Fire and Rescue Authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Ethics Transparency and Audit Panel can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress to date

## Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2018/19 financial statements.

Our detailed work and audit visits will begin early in 2019 and we have discussed the timing of these visits with management. In the meantime we will:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

This is a particularly challenging year for the Authority as they navigate their position and ensure that governance arrangements are robust. In relation to your financial statements, we will continue to engage with the finance team on any emerging financial reporting issues as a result of this.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in January 2019 and report this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

## Other areas

### Meetings

We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also meet with your Chief Fire Officer to discuss the Authority's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Your finance team has received an invitation to the Chief Accountants' Workshops which we hold, offering an opportunity to hear about the latest financial reporting requirements, and also network with others who face similar reporting challenges.

# Audit Deliverables

| 2018/19 Deliverables                                                                                                                                                                                                        | Planned Date  | Status      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------|
| <b>Fee Letter</b><br>Confirming audit fee for 2018/19.                                                                                                                                                                      | April 2018    | Complete    |
| <b>Accounts Audit Plan</b><br>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2018/19 financial statements. | February 2019 | In progress |
| <b>Interim Audit Findings</b><br>We will report to you the significant findings from our interim audit and our initial value for money risk assessment within our Progress Report.                                          | April 2019    | Not yet due |
| <b>Audit Findings Report</b><br>The Audit Findings Report will be reported to the July Audit Committee.                                                                                                                     | July 2019     | Not yet due |
| <b>Auditors Report</b><br>This is the opinion on your financial statement, annual governance statement and value for money conclusion.                                                                                      | July 2019     | Not yet due |
| <b>Annual Audit Letter</b><br>This letter communicates the key issues arising from our work.                                                                                                                                | August 2019   | Not yet due |

# Sector Update

Local government finances are at a tipping point. Local Government bodies are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Creating and operating a successful fire trading company

In a period of continued austerity, fire and rescue authorities need to adapt in order to combat funding challenges. One response has been the creation of fire trading companies (FTCs), with their wider commercial freedoms. Our report, jointly commissioned by NFCC and the Fire Industry Association, looks at how to do create and operate FTCs successfully

FTCs first appeared in 2004, but many fire and rescue authorities (FRAs) were unable to trade until a change in legislation under the 2011 Localism Act. Despite the revised legislation, numbers remain low with just 15 FTCs in operation today. Of the 48 FRAs in England and Wales, only 31% therefore have an FTC. In comparison, 60% of local authorities have at least one trading company. This could be attributed to several factors, such as a lack of willingness to trade; the restricted, specialist and competitive market in which FTCs operate; and the fact that some FTCs have ceased trading. Yet when FTCs are successful, they are not just financially viable. They provide social value and wider benefit to their communities through investment in local projects and charities.

## Setting up a fire trading company

FTCs can provide opportunities to generate additional income, utilise spare capacity within the fire and rescue service (FRS), offer a social return and improve fire safety. For example, through bidding for work to provide services outside of their own authority. But while some FTCs are competing successfully and are on a growth trajectory, others are less successful with uncertain futures.

Successful FTCs tend to be larger companies (with a typical turnover of £2 – 4 million) that understand the commercial market in which they operate. They are able to capitalise on their specialist skills and look for ways to expand their activities within the legal constraints placed upon them. And their boards of directors have a sufficiently broad mix of commercial skills and sector knowledge to support the FTC's objectives, enabling the business to compete effectively within this specialised commercial marketplace.

Getting the legal structure right is also key – in instances where companies are not operating through the most appropriate legal structure, the ability of a company to achieve its intended outcomes can be hampered.

Each FRA will have its own rationale for setting up a company. But, whatever the reason, FRAs should always undertake a detailed options appraisal and business case before setting up an FTC. This will ensure that the most appropriate approach is taken. Whether that's deciding if it is worthwhile setting up a company, which company structure would best meet its objectives, or if its objectives could be achieved without transferring the services into a separate legal entity.

## Maintaining success

As with any successful commercial organisation, an FTC must be dynamic, flexible and adapt to changing market forces. It needs to review and develop its commercial acumen and culture on an ongoing basis. And this need to be commercial and sustainable must be recognised by both leadership and staff. Whether directly employed or seconded. For example, it is crucial to regularly evaluate governance arrangements to ensure they remain effective and fit for purpose. Return on investment for the FRA must also be regularly reviewed and the necessary changes implemented if that return is no longer meeting desired levels.

In our latest study we have researched a range of FTCs, from those reported as being successful to lessons learned from those that have encountered challenges and ceased to trade.

To download our report click on the report cover, or visit our website.





## NFCC comment on latest Home Office workforce and prevention and protection statistics

The National Fire Chiefs Council (NFCC) has described the continuing fall in firefighter numbers as 'disappointing and unsustainable'. Statistics released by the Government show that, since 2009, the number of whole-time firefighters has decreased by 23 per cent.

Roy Wilsher, Chair of the NFCC, said:

*"It is disappointing to see the continuing reduction in whole-time firefighter numbers. There has been a 23 per cent reduction in less than ten years, which is an unsustainable trend."*

*"It is encouraging to see that more women and people from other under-represented groups are choosing a career in the sector. However, rising proportions of women and people from other groups still need to be seen against the backdrop of overall numbers falling"*

*"Fire and rescue services are doing some great work in attracting more diverse workforces, to truly represent the communities they serve – but we do acknowledge that more needs to, and can, be done."*

There were 32,340 full-time equivalent firefighters in post on 31 March 2018. This was a one per cent decrease compared with the previous year (32,761). Since 2009 the number of firefighters has decreased by 23 per cent.

Women accounted for 10.5 per cent of new firefighters in England in 2017/18, while 5.2 per cent came from ethnic minority groups. Women accounted for 5.7 per cent of all firefighters (5.2 per cent in 2017), while 4.1 per cent were from an ethnic minority group (up from 3.9 per cent).

Although 95 per cent of households say they possess smoke alarms – the highest level ever recorded – five per cent fewer say their alarms actually work.

The figures also reveal a dramatic rise in the number of fire safety audits carried out on purpose-built flats of four storeys. They went up by 113 per cent, to 6,586 out of 49,423 audits overall (down nine per cent on 2016/17).

However, the proportion of fire safety audits on purpose-built flats of four storeys or more that were deemed satisfactory fell from 78 per cent in 2016/17 to 69 per cent in 2017/18.

Roy Wilsher added:

*"There is good news in the statistics, especially the targeting of fire safety work, but the fall in firefighter numbers continues to be worrying."*

*"Firefighters in England spent more than 994,000 hours helping people to live safely and independently at home. They're focusing a greater proportion of Home Fire Safety Checks on vulnerable people, including the elderly and disabled, and spending longer with them."*

*"These are the same firefighters who provide 999 emergency response, and it's galling to see that there were 933 incidents involving them being attacked. This is the highest figure since data was first collected in 2010/11."*

*"Such attacks on our professional, highly-skilled crews are beyond words. We welcome the longer jail terms for these offenders which will come in under the Assaults on Emergency Workers (Offences) Bill."*



# CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

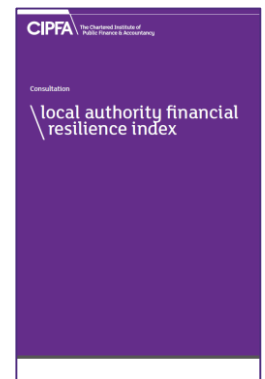
The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.

## CIPFA Consultation

### Challenge question:

Has your Strategic Enabler for Finance made members aware of this Financial Resilience Index consultation to understand the context within which you are operating, particularly the West Midlands?



# The Vibrant Economy Index

## a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website ([www.granthornton.co.uk](http://www.granthornton.co.uk)) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

### Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



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# Links

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## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/how-fire-trading-companies-can-combat-austerity/>

## Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

