

Fire and Rescue sector audit committee briefing



Building a better
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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

Brexit Update

On Wednesday, 29 March 2017 Theresa May triggered article 50, the part of European Union law that sets out the process by which member states may withdraw from the union. European governments and the EU as an institution are at the vanguard of the Brexit process. The challenge of unravelling the UK from the EU is a significant one. Negotiations will be complex as there seems little likelihood now that one of the existing models for non-EU European countries' relationships with the EU can simply be extended to the UK.

As advisers to the sector, we have a critical role in working with our clients through this period of uncertainty. The negotiations will touch on multiple policy areas – such as trade, immigration & border control, tax and customs, transport and infrastructure, higher education, state aid, energy and the environment – and will

require significant change in the Government and Public Sector. Whilst UK government departments consider potential scenarios for different outcomes of the negotiations, EU negotiators will in turn have the task of balancing the diverse interests and priorities of the other 27 Member States.

The UK's exit seems like a long way off, but it is essential for us to keep abreast of political, regulatory and economic developments as negotiations progress. We will monitor the situation on an ongoing basis and provide connectivity, timely information, communication and tailored content to our Government and Public Sector clients.

For further information and our most recent views of the impact of Brexit on the economy please see the EY Item Club article within the EY website, full link is below in the 'Find Out More' section.



The Policing and Crime Bill receives Royal Assent

On 31 January 2017, the Policing and Crime Bill received royal assent and became an Act of Parliament. The Act is a substantial document, split into nine parts and containing over 400 pages. It introduces changes to a wide spectrum of the criminal justice system, from reform of the police disciplinary and complaints system to changes in the powers of PCSO's to improved protection for the victims of forced marriage.

Of particular relevance and interest are the provisions of the Act which aim to enhance close collaborative working between the emergency services. This is the Government's attempt to implement its manifesto commitment to *"enable fire and police services to work more closely together and develop the role of our elected and accountable Police and Crime Commissioners"*. The Minister for Policing and Fire, Brandon Lewis, has made it clear that he expects the pace and ambition of collaboration to increase.

The Act introduces a duty on police, fire and rescue and ambulance services to enter into collaboration agreements where it is in the interests of efficiency or effectiveness. Notably, these are two of HMIC's three pillars alongside legitimacy in their annual National Police Effectiveness, Efficiency and Legitimacy reports. This duty will come into force on 3 April 2017.

The Act also contains provisions that will enable Police and Crime Commissioners (PCCs) to take on responsibility for local fire and rescue services. Furthermore, PCCs who take on such responsibilities will be able to consolidate into one organisation with a single chief officer for police and fire. Where the PCC does not become responsible for fire and rescue functions, they may request to be appointed to the Fire and Rescue Authority (FRA) and associated committees, enabling them to speak and vote on functions of the FRA.

The Act also abolishes the London Fire and Emergency Planning Authority and gives the Mayor of London direct responsibility for the fire and rescue service in London.

Next steps for fire reform

Shortly after the Policing and Crime Act 2017 received Royal Assent, Brandon Lewis delivered a speech on the 7 February 2017 setting out his vision for the fire sector in 2017 and outlining the Government's next steps for fire reform.

Addressing the chairs of FRA, chief fire officers and others across the fire and rescue sector, he stated that fire and rescue services are transforming and seizing opportunities for collaboration. There has been a significant reduction in the number of fires and fire fatalities over the past decade demonstrating positive results of fire prevention and firefighting services.

The creation of the National Fire Chiefs' Council, is aimed at helping to transform the operational side of the fire service.

Despite these positives there are a number of problems that FRAs face, including outdated working practices, a lack of diversity and the absence of independent scrutiny.

The identified key areas of transformation include:

- ▶ **Accountability and transparency.** In 2016 the Home Secretary highlighted the lack of a suitable inspection regime. To address this issue, a new inspectorate for the fire authorities is being created. The new inspectorate will have a power to determine how effective each service is to prevent and respond to incidents; whether the service understands its current demands and where the future risks lie; and its leadership, training, diversity, values and culture.

A new Fire and Rescue Service (FRS) website will be created this year, containing a range of FRS information, all in one place. In response to FRA requests, incident-level data will be published in the spring.

There are no plans for the police to take over the fire services or that firefighter and police roles will merge, instead efficiency and collaboration between the services is required.



► **Efficiency and collaboration.** Particular emphasis is being placed on collaborative procurement as last year's basket of goods exercise revealed that some fire authorities were paying five times more than others for similar or the same equipment. As a response to this the Chief Fire Officers' Association has developed new commercial strategy. This strategy includes collaborative working to get a better deal from suppliers in order to optimise their costs. FRA should review their procurement practices and question whether they can be more strategic.

► **Workforce reform.** To address workforce problems and ensure that all fire personnel are the best trained and the most professional in the world, a new professional standards body for fire and rescue services will be established. The body will build a comprehensive professional framework of standards for services, setting standards on a range of issues including leadership, workforce development, equality and diversity and codifying effective practice. Two proposals on how this body will operate are being considered- a new fire standards body affiliated to the College of Policing or creating a fully combined College of Policing and Fire. The body is expected to become operational later this year.

The Thomas Review published in November demonstrated a need for workforce reform in order to create a diverse

working environment free from bullying and harassment, with strong leadership and more flexible working conditions. However the latest workforce statistics show that little has changed in terms of workforce diversity in the fire and rescue services, and major changes must be made to fire and rescue service culture to improve acceptance that women and ethnic minorities have a place in the fire and rescue service.

These reforms mean that 2017 will be a year of significant changes for the fire service. To support an effective and smooth transition, strong collaboration between police and fire and rescue authorities is required. To drive and improve this collaboration the Emergency Service Collaboration Working Group was established in 2014. The Working Group's 2016 national overview can be accessed via the links within the 'Find out more' section below <https://aace.org.uk/wp-content/uploads/2016/11/National-overview-v13-WEB.pdf>

The full text of the Minister's speech can be found at <https://www.gov.uk/government/speeches/fire-ministers-speech-to-reform>

Independent review of conditions of service for fire and rescue staff in England February 2015 can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562972/Thomas_Review_-_for_publication_in_97-2003_format.pdf

Consultation on proposals to stop senior fire officers from being re-employed after they have retired

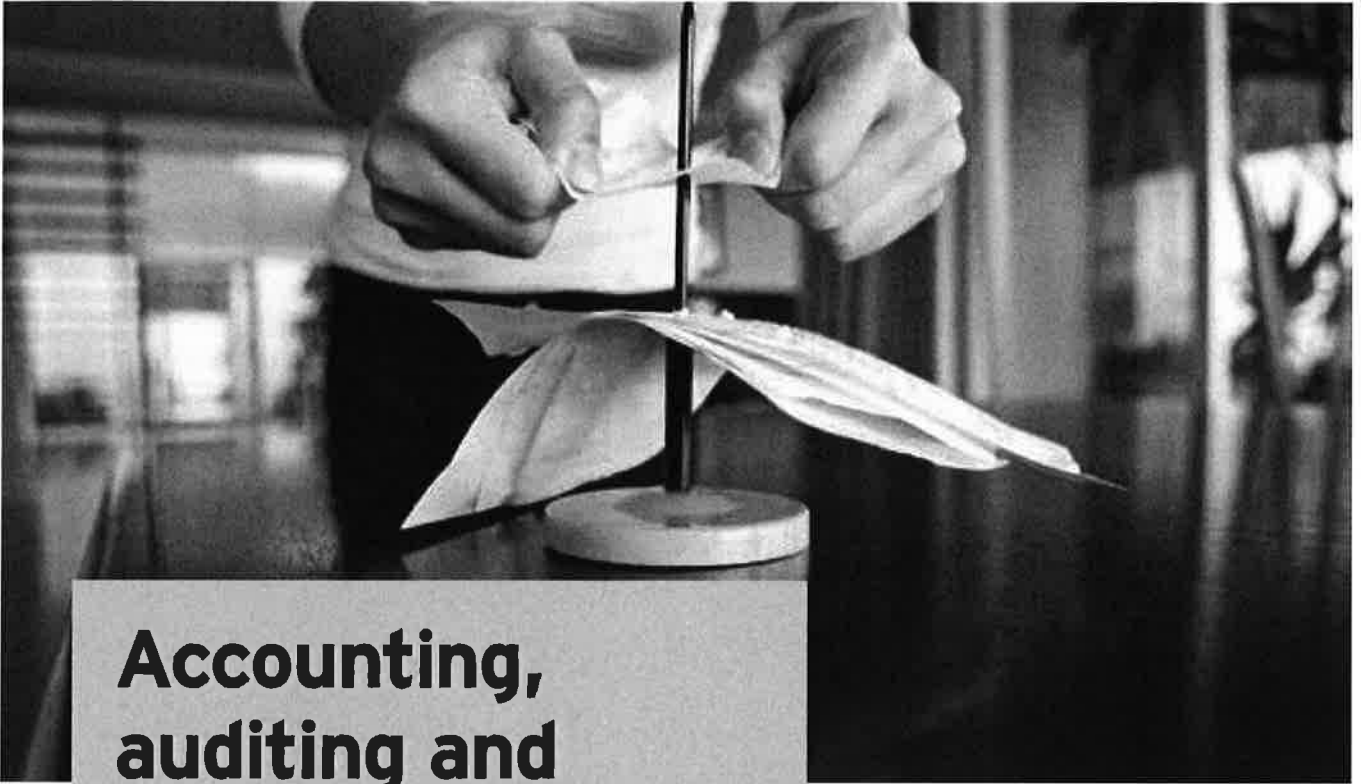
As part of the reform to make fire and rescue services more accountable, efficient and effective, the Government has set out proposals for new guidelines to end the practice of senior fire officers retiring from post and subsequently being re-employed in the same or similar roles.

A six week consultation was launched by the Home Office on 21 February 2017 and will end on 4 April. Whilst the consultation is aimed primarily at fire and rescue authorities and trade unions, views from other parties are also being sought.

The consultation paper outlines that there are a number of senior fire officers retiring and then being re-appointed into the same or a similar post. As a result they are able to access up to a quarter of their pension as a tax free lump sum and cease to pay employee pension contributions.

The practice has attracted considerable public interest, and could potentially damage the trust between regular firefighters and senior officers. To avoid this happening, the Government will revise the National Framework to include a special guidance to FRAs. This involves a prohibition of re-appointing principal fire officers after retirement to their previous, or a similar, post save for in exceptional circumstances when such a decision is necessary in the interests of public safety (in which case this decision should be subject to agreement by a vote of the elected members of the FRA, or a decision by the appropriate elected representative of the FRA). Any such appointment must be transparent, justifiable and time limited.





Accounting, auditing and governance

Current Accounting Issues

As FRA finance teams across the country begin to close down the 2016/17 financial year and prepare the financial statements, it is timely to highlight the main change to financial reporting requirements impacting in 2016/17 and subsequent years.

'Telling the Story'

FRA financial statements will look different in 2016/17 when compared to previous years. These changes arise from the changing requirements of the Local Authority Accounting Code of Practice issued each year by CIPFA. The 2016/17 Code now includes the accounting requirements of CIPFA's *'How to tell the story'* publication.

CIPFA has been working on a project for the last few years to both streamline financial statements and improve their accessibility to the user. One way in which user accessibility has been strengthened is to try and make year-end external reporting through the financial statements look more like in year internal management reporting. As a result, the main changes to the 2016/17 financial statements will be to the Comprehensive Income and Expenditure Statement (CIES) and associated disclosure notes. The key changes to look out for are:

- ▶ How income and expenditure are analysed on the face of the CIES. In previous years authorities had to analyse their service income and expenditure using the service expenditure analysis prescribed by CIPFA in the Service Reporting Code of Practice (SeRCOP). Authorities must now provide this analysis in the same format and reporting segments that they use for internal management reporting throughout the year.
- ▶ The introduction of a new note supporting the CIES, the Expenditure & Funding Analysis (EFA). The objective of this new note is to provide a direct reconciliation between the way authorities are funded, how they budget and the CIES in a way that improves accessibility to the user of the financial statements. The analysis of expenditure and funding within the EFA must follow the same segmental analysis used in the CIES and internal reporting.

This subject was covered in detail at the recent EY CIPFA Accounts Closedown Workshops that were run as part of the EY and CIPFA strategic alliance. The 32 workshops were attended by over 800 finance staff across the UK.





Regulation news

Gender Pay Gap Reporting Regulations

The Gender Pay Gap Reporting regulations come into effect in April 2017 and they will impact on every organisation that has 250 or more employees.

Under these regulations organisations will be required to publish:

1. The gender pay gap for the pay period to 5 April each year. Numbers need to be submitted to a Government portal (still in development) and be placed in a searchable position on the organisations own website where they need to remain for at least three years. There are six calculations:
 - ▶ Mean gender pay gap in hourly pay
 - ▶ Median gender pay gap in hourly pay
 - ▶ Mean bonus gender pay gap
 - ▶ Median bonus gender pay gap
 - ▶ Proportion of males and females receiving a bonus payment
 - ▶ Proportion of males and females in each pay quartile
2. A written statement, authorised by an appropriate senior person (e.g., a director), which confirms the accuracy of the calculations

3. Optional contextual narrative alongside the numbers on the website – e.g., to explain the reasons for the results and give details about actions that are being taken to reduce or eliminate the gender pay gap.

Whilst organisations have until next April to publish these disclosures

- ▶ A data snap shot on 5 April 2017 is required to ensure prior year comparisons are possible
- ▶ It is expected that there may be significant stakeholder and media pressure to publish sooner than the deadline. Some organisations have recently included a requirement in tender processes for potential suppliers to disclose their gender pay gap. Some organisations have already published their disclosures ahead of the deadline.

The impact of the regulations goes well beyond compliance, and some organisations are concerned about the implications of having to publish a significant gap, as this could have an impact on employee engagement and motivation, the ability to attract new talent and the overall reputation of the organisation.

EY have been working with a number of clients to assist them to ensure compliance with this new regulation, speak to your audit team for further information.



Other

Placing gender on the public sector agenda

In a time of significant change for governments and public sector organisations, the ability to draw on a diverse pool of talent – including a mix of genders, ethnicities, ages and backgrounds – is a critical factor in helping governments adapt to the changes disrupting the sector. There is strong evidence that diverse and inclusive leadership sparks better debate, stimulates innovation, and enhances problem-solving and decision-making. In short, it leads to improved performance and better outcomes.

In mid-2016, EY surveyed 80 government and public sector leaders from a range of countries. We wanted to understand their views on gender parity at the leadership level. The survey built on an earlier study involving interviews with 350 business leaders from seven sectors: automotive, banking and capital markets, consumer products, insurance, life sciences, oil and gas, and power and utilities.

Our research reveals overwhelming agreement that gender diversity is crucial to combating the challenges faced by the public sector. Despite valuing diversity, many public sector organisations are not addressing the gender gap in a way that will deliver the needed change. Sixty percent of respondents believe they do not have sufficient diversity of thought and experience within their leadership team.

Through our research, we identified five disconnects that are holding back government and public sector organisations from achieving gender diversity on their senior leadership team.

1. **The reality disconnect:** Public sector leaders assume the issue is nearly solved despite little progress within their own organisations.
2. **The data disconnect:** Organisations don't effectively measure how well women are progressing through the workforce and into senior leadership.
3. **The pipeline disconnect:** Organisations aren't creating pipelines for future female leaders.
4. **The perception and perspective disconnect:** Men and women don't see the issue of gender parity the same way.

5. **The progress disconnect:** Different sectors agree on the value of diversity but are making uneven progress towards gender parity.

In this report, we explore each of these disconnects to better understand the key barriers that women face in moving ahead in their organisations. We also share our insights on what government and public sector organisations can do to accelerate the journey to gender parity.

EY Resources and Information

EY offers a number of resources to our clients, 'Citizen Today' is produced by EY's Global Government & Public Sector team. Here you can read features and interviews covering the big issues facing governments around the world as they seek to provide better services for citizens. This is the Government and Public Sector element of the EY Client Portal, by signing up to this it could help you stay in touch with relevant news.

The EY Client Portal provides a single, continuous connection to EY. This tool can provide you with continuous access to EY worldwide, some of the key benefits are listed below:

- ▶ **Collaborative services** – Providing better management, team synergies, communication, and continuous global access to status and current documents via a variety of protected online work environments and electronic tools.
- ▶ **Individually tailored content, tools, and resources** – Customised so you see only the content, tools, and resources you want and need.
- ▶ **Improved efficiencies** – Helping you work more productively with relevant knowledge, insights, and business tools accessible in one location.
- ▶ **Enhanced service delivery** – Giving you access to EY's global breadth and depth of services and capabilities (self-service to full-service), helping you execute your business decisions.
- ▶ **Global knowledge and expertise** – Valuable and timely insights on evolving business issues, helping you make informed decisions faster.



Key questions for the Audit Committee

Has the authority considered the implications for your authority following the passing of the Policing and Crime Act 2017, and the duty to enter into collaboration agreements where in the interests of efficiency or effectiveness?

Have you considered your procurement policy and practices, and how they can be more strategic? Have you considered the scope for greater collaborative procurement?

Does your authority have a strategy and plans in place to ensure that the workplace is diverse and inclusive?

Has the authority considered the impact of the consultation on proposals to stop senior fire officers from being re-employed on similar roles after they retire?

Has the authority put in place processes to meet the new accounting requirement for the analysis of income and expenditure in the CIES, and the new note on the Expenditure and Funding Analysis?

How well prepared is the authority for the new requirement to collect and publish gender pay gap data?

Find out more

Brexit EY Item Club

<http://www.ey.com/uk/en/newsroom/news-releases/17-04-10-stronger-global-economy-paves-the-way-to-brexitsays-ey-item-club>

Policing and Crime Bill

<http://www.legislation.gov.uk/ukpga/2017/3/contents/enacted>

A more readable 'Overview of the Bill' produced by the Home Office can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/537257/Factsheet_0_-_overview.pdf

Next steps for fire reform

National overview 2016 conducted by Emergency Service Collaboration Working Group <https://aace.org.uk/wp-content/uploads/2016/11/National-overview-v13-WEB.pdf>

The full text of the Fire Minister's speech on 7 February 2017 can be found at <https://www.gov.uk/government/speeches/fire-ministers-speech-to-reform>

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Consultation on proposals to stop senior fire officers from being re-employed after they have retired

A full copy of the consultation can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/593051/170220_Consultation_document_-_re-engagement_of_senior_officers.pdf

Gender Pay Gap Reporting Regulations

The regulations – Statutory Instrument 2017/172: http://www.legislation.gov.uk/uksi/2017/172/pdfs/uksi_20170172_en.pdf

Overview of the rules from gov.uk <https://www.gov.uk/guidance/gender-pay-gap-reporting-overview>

Guidance – Advisory, Conciliation and Arbitration Service (ACAS) and the Government Equalities Office have published guidance for employers <http://www.acas.org.uk/index.aspx?articleid=5768>

Placing gender on the public sector agenda

[http://www.ey.com/Publication/vwLUAssets/EY-placing-gender-on-the-public-sector-agenda/\\$FILE/ey-placing-gender-on-the-public-sector-agenda.pdf](http://www.ey.com/Publication/vwLUAssets/EY-placing-gender-on-the-public-sector-agenda/$FILE/ey-placing-gender-on-the-public-sector-agenda.pdf)

EY Client Resources and Information

<http://www.ey.com/gl/en/industries/government---public-sector/ey-citizen-today#recent-content>



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