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AUDITOR GENERAL

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Public Audit and Post-Legislative Scrutiny Committee
c/o Room T3.60
Scottish Parliament
Edinburgh
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Dear Convener

On 14 June 2018, I briefed the Committee on my update report on the Scottish Fire and Rescue Service (SFRS). During the evidence session, the committee requested further information about:

1) The Scottish Fire and Rescue Service's capital backlog of £389 million [paragraphs 53 to 56, pages 18 of the report].

2) Progress in achieving the £328 million net savings by 2027/28, set out in the Financial Memorandum to the Police and Fire Reform (Scotland) Act 2012 [paragraph 46, page 17 of the report].

Please find below additional details on each of these points.

1. Capital backlog of £389 million

The SFRS has 356 fire stations, a vehicle fleet of over 1,600, an estimated 25,000 items of ICT and over 1 million items of operational equipment. Its approach to assessing and grading its assets is to consider how fit for purpose, how operationally important and how heavily the asset is used.

The SFRS's estimated capital backlog of £389,253,000 is required to address the condition and suitability of its assets under its current operating model (see table below). It does not reflect the SFRS's plans for future transformation, which include changing types of vehicles, and sharing or changing the use and potential disposal of some properties. Transformation of the SFRS' operating model will allow it to reduce the significant current capital backlog.

Property	£280,000,000
Fleet	£77,003,000
ICT	£750,000
Operational equipment	£31,500,000
Total	**£389,253,000**

The SFRS estimated the backlog based on average asset lifecycles and management data on its assets, recorded in its information systems. For example, vehicle replacement is based on the useful life which is a maximum of 15 years, and the condition of its vehicles at 1 April 2017. For property, the estimate includes £51m for maintaining the condition, and £229m for improving the suitability of properties. This includes, for example, ensuring there are appropriate facilities to garage vehicles; areas for breathing apparatus maintenance, kit drying and storage; suitable facilities for record keeping; toilet and changing facilities. The estimate is based on 2016/17 asset values and an average life of 50 years for its properties.

In 2014/15, the SFRS undertook a condition survey of all its properties. It has a rolling programme in which 50 per cent of its property portfolio is revalued each year, as well as any new build assets and assets with significant capital additions in the year. Revaluation is undertaken by the SFRS's internal valuer, who is Royal Institute of Chartered Surveyors (RICS) qualified, and reviewed by the appointed auditor (currently, Deloitte).

As we mentioned in evidence to the Committee, HM Fire Service Inspectorate in Scotland is currently undertaking a review of the SFRS's fleet arrangements and plans to report on this later in 2018.

The audit team took assurance from the appointed auditor for the SFRS about the standard and accuracy of financial information provided by the SFRS. In addition to the ongoing testing and assessment of financial management and governance by the SFRS, the appointed auditor also reviewed the SFRS's Financial Planning Tool for its service redesign modelling approach in 2017, and reported positively on the robustness of the tool. The audit team also reviewed the detailed work provided by the SFRS to support its Long Term Financial Strategy in relation to the capital backlog. This sets out its capital backlog at 1 April 2017, together with the potential long-term impact on its property, fleet, ICT and operational equipment under four investment scenarios.

2. Net savings from reform

The Financial Memorandum to the Police and Fire Reform (Scotland) Act 2012 suggested that integration of the former eight fire and rescue services and the Scottish Fire Service college could generate £328 million net savings by 2027/28.

In my 2015 report, I reported that the SFRS achieved net recurring savings of £16.1 million in 2013/14 and had plans in place to make further net recurring savings of £6.6 million in 2014/15. Together, this should realise £334 million of cumulative net savings by 2027/28. This exceeds the £328 million expected net savings in the Financial Memorandum.

The initiatives to achieve the savings are now either fully implemented or underway. These include rationalising property assets, contracts and loan charges, reducing staff numbers, integrating support services and streamlining processes. Work still in progress at the time of the audit included rationalisation of some information systems and disposal of properties including the sites at Maddiston near Falkirk and Thornton in Fife.

No further savings have been identified from the merger and integration of the eight former services. Further savings will depend on the transformation of the current service delivery model through changes to the workforce or property rationalisation. We will continue to monitor and report on progress with achieving the planned savings through the annual audit process.

I hope this information is of assistance to the Committee.

Yours sincerely

Caroline Gardner
Auditor General for Scotland