

MEETING: 14th DECEMBER 2015

SUBJECT: FINANCIAL SUSTAINABILITY OF FIRE AND RESCUE SERVICES

REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE

1. PURPOSE OF REPORT

1.1 The purpose of this report is to brief the Authority on a recently published report of the National Audit Office.

2. BACKGROUND

2.1 On 5th November 2015, the National Audit Office, which scrutinises public spending for Parliament and is independent of Government, published a report into the financial sustainability of fire and rescue services. This report is part of a wider suite, with reports on local government and the police already published.

2.2 The focus of the report is the Department for Communities and Local Government (CLG) as the Department which is responsible for ensuring the public is adequately protected from fires and other emergencies...by providing financial resources to FRAs, enabling them to raise their own income, and establishing a statutory framework in which they must operate.

2.3 The report focuses on:

- The impact of funding reductions on financial sustainability
- The extent to which CLG has taken an informed approach to implementing funding reductions, and how it has assisted FRAs to manage reductions
- The effectiveness of CLG's system for providing assurance on financial health and service standards

2.4 The full report is attached as Appendix A. A supporting document was also published and is available if required.

3. FINDINGS

The impact of funding reductions on financial sustainability

- 3.1 The report finds that funding for fire and rescue services has fallen significantly between 2010-11 and 2015-16, with a 33% real terms reduction in funding and an average 22% reduction in spending power (which takes into account Council Tax and other income).
- 3.2 FRAs are considered to have coped well with these reductions; there have been no instances of financial failure and reserves have increased, though there have been some “potential signs of low level strain” in some authorities, identified by auditors and peer challenge teams.
- 3.3 Savings have come predominantly from staffing; authorities have protected appliances and stations (the link between staff numbers and appliance numbers is not drawn out). The largest reductions in staffing have been in Control, non uniformed and managerial posts but non-managerial firefighter numbers have fallen by 14% between 2010-11 and 2014/15.
- 3.4 Response standards have not tended to change, but the scope of response has (including the introduction of different types of appliance, and a reduction in prevention and Protection activity).
- 3.5 The numbers of fires and casualties continues to reduce. Primary fires fell by 23.2% between 2010-11 and 2014-15 with casualties showing similar reductions.
- 3.6 Some FRAs have indicated that their capacity to respond to major incidents might be compromised by further cuts. Where average demand has fallen, this does not mean the risk of serious incidents has fallen.
- 3.7 CLG is recommended to:
 - Improve its understanding of the capacity of the sector to deliver further savings, and the likely impact of this
 - Assess the potential for different authorities to make further savings by examining underlying costs and the efficiency measures taken
 - Analysing factors behind long-term downward trend in fires, and in particular the impact of FRS prevention and response activity

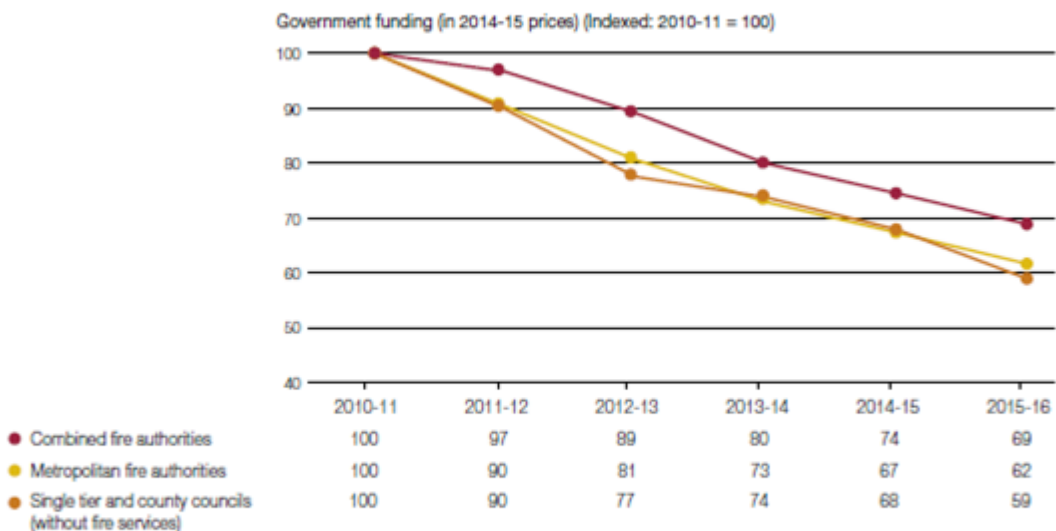
CLG’s oversight of funding reductions

- 3.8 CLG has limited understanding of the underlying costs of providing fire and rescue services. The report criticises the Ken Knight review, commissioned by CLG, for indicating that differences in spending between FRS is “inexplicable” when a substantial proportion of the difference can be explained by local risk factors (this is the same argument TWFRAs made in our response to the Knight review).
- 3.9 CLG has limited understanding of the impact of FRS activity on outcomes such as fires and casualties in fires. It is therefore not well placed to assess the potential impact of reduced prevention activity on outcomes for the community.
- 3.10 Whilst local FRAs take a risk based approach to decisions (eg variation in activity by time of day, location or property), CLG focuses on monitoring outcomes which makes it difficult to detect in advance where service reductions could be reducing risk cover.
- 3.11 CLG’s distribution of funding reductions means that “the Department has reduced funding most to FRAs with the highest level of need”. This particularly affected Metropolitan FRAs, as shown in the chart below:

Figure 9

Change in government funding from 2010-11 to 2015-16

Metropolitan fire authorities have seen greater reductions in government funding



Note

1 Chart shows change in a weighted index. See methodology available at: www.nao.org.uk/report/financial-sustainability-of-fire-and-rescue-services/

Source: National Audit Office analysis of Department for Communities and Local Government data

3.12 CLG is felt to be supporting FRAs in implementing efficiency and transformation through the Fire Transformation Fund. A significant part of the sector's approach to this aims to add value to other sectors such as Health , rather than reducing the long term cost of fire and rescue services.

3.13 CLG is recommended to:

- Assess the likely impacts of different types of service transformation on cost reduction and service improvement, in particular the value of activities which primarily add value to other sectors

Preventing financial and service failure

3.14 The report considers that the legal controls on FRAs (such as a statutory duty to produce a balanced budget) make the risk of financial failure lower, with the consequence that any pressures from funding reductions are likely to manifest in service changes.

3.15 CLG's understanding of financial sustainability could be improved, as the Department has not conducted its own assessment of authorities' financial standing.

3.16 Assurance over national resilience is robust, but stronger in some areas than others. Local FRAs do have a duty through the Fire and Rescue National Framework 2012 to flag any gaps in their national resilience capacity to the national strategic resilience board.

3.17 CLG has devolved assurance about service quality to the local level, and relies on local scrutiny for this (including Fire Peer Challenge). This is in keeping with its policy of localism, however the report asks questions about the quality of independent technical support to local members, and the robustness of peer challenge (whilst acknowledging that the sector has recently strengthened the process).

3.18 There are differences in how local targets are set, for example for response times.

3.19 The Department has not tested the robustness of Statements of Assurance, believing that authorities are required to manage their own risks and be locally accountable.

3.20 CLG is recommended to strengthen its assurance on the sector's operational performance by:

- Widening the scope of national resilience assurance to include whether local operational capacity is sufficient to simultaneously contribute at major incidents and maintain local service levels
- Consulting on the ways in which the peer challenge system can be further strengthened, potentially by involving the Chief Fire and Rescue Advisor
- Encouraging authorities to standardise operational targets and performance reporting
- Gathering substantive evidence to support the Secretary of State's assurance to Parliament

4. FINANCIAL IMPLICATIONS

4.1 This report has no direct financial implications

5. HR IMPLICATIONS

5.1 This report has no direct HR implications.

6. LEGAL IMPLICATIONS

6.1 This report has no direct legal implications.

7. RISK MANAGEMENT IMPLICATIONS

7.1 The NAO report indicates that CLG has not sufficiently taken need/risk into account in distributing funding cuts. This is pertinent to one of our key corporate risks:

11.02 Risk that further budget cuts will mean that we have to make decisions that will detrimentally affect the delivery of front line services.

8. EQUALITY AND FAIRNESS IMPLICATIONS

8.1 The NAO report indicates that CLG funding distribution has disadvantaged areas of greatest need, in particular Metropolitan areas such as Tyne and Wear.

9. HEALTH AND SAFETY IMPLICATIONS

9.1 This report has no direct health and safety implications but the NAO report recommends that CLG ensures a greater level of assurance on operational capacity in relation to resilience.

10. RECOMMENDATIONS

10.1 Members are recommended to note the content of the NAO report.

