Fire service funding

Purpose of report
For direction.

Summary
At the Committee’s September meeting members indicated that the priority around funding for the service should be developed in light of the National Fire Chiefs Council’s (NFCC) work on fire finance. This paper sets out the immediate funding issues facing the sector, outlines the work the NFCC has been doing around finance and seeks members’ view on next steps to develop the Committee’s work in this area. Phil Hales, Deputy Chief Fire Officer at West Midland Fire and Rescue Service will attend the meeting to set out the work NFCC have been doing around fire finance.

Recommendations
Members are asked to:

1. Note the work of the NFCC Finance Coordinating Committee on fire finance, and the NFCC's response to the Local Government Finance Settlement: Technical Consultation Paper.

2. Consider the questions set out in paragraph 19 and provide a steer on future LGA work related to the funding of fire and rescue services.

3. Make any further recommendations relating to the funding of fire and rescue services.

Actions
Officers to note members’ comments and decisions and take action as appropriate.

Contact officer: Charles Loft
Position: Senior Adviser
Phone no: 0207 665 3874
Email: Charles.loft@local.gov.uk
Fire service funding

Background

1. Over the last year the demands on fire and rescue services have increased. After a period in which the number of primary fires attended by fire and rescue services in England fell by over half, and then a plateau in the figures, the last two years have seen a rise in the number of primary fires. Since the Grenfell Tower fire, services have also had to carry out fire safety assessments on those high rise residential buildings with aluminium composite material (ACM) cladding systems.

2. These increasing demands are likely to be sustained. The UK population is forecast to continue to rise over the coming decade. A growing proportion will be elderly people, many of whom will live alone. The numbers of people in rented accommodation are also predicted to continue to grow until 2025. These are factors the Department of Communities and Local Government identified in 2008 as ones that will increase the number of dwelling fires. Replacing cladding systems on all the high rise residential buildings where this needs to be done could take several years. In addition the review of building regulations and fire safety by Dame Judith Hackitt could result in extra responsibilities being given to fire and rescue services.

Implications for funding fire and rescue services

3. These pressures have implications for Fire and Rescue Authority (FRA) budgets, as was highlighted by the LGA in a media release at the end of October. The LGAs 2017 Autumn Budget Submission also raised the pay pressures in the fire and rescue service and argued they should be funded by the Government in full, alongside investment in new ways of working. The submission pointed out the benefits of the collaborative work the fire service is undertaking with health services, ambulance services, local authorities and the police, and that this work has the potential to deliver a return on investment of up to £14.40 per £1 invested.

4. The submission called on the Government to:

   4.1. Commit to work with us to ensure practical costs, for example, equipment, training and inoculations, are fully funded in order to ensure no detrimental impact on ‘fire’ related activities.

   4.2. Provide sufficient funding to ensure that fire service employees are fairly rewarded for such change.

   4.3. Not make any further reductions to fire service funding. Fire services are driven not by demand but by risk and the funding levels should reflect this.

National Fire Chiefs Council Finance Coordinating Committee

5. The National Fire Chiefs Council (NFCC) has also been highlighting the pressures on fire and rescue services. Following the establishment of the NFCC as a replacement for the Chief Fire Officers Association (CFOA), the NFCC set up a finance coordinating
committee. The terms of reference and membership of this committee are set out in the report to the Committee from the NFCC at Annex A.

6. The NFCC’s recent response to the technical consultation on the 2018-19 local government finance settlement (at Annex B), makes a link between reductions in funding for fire and rescue services, reduced staff numbers, longer response times and the plateauing of reductions in fires. It goes on to argue that ‘further funding cuts will pose an unacceptable risk to communities’ and that demand is likely to increase in future.

7. A number of other issues are currently relevant to the funding of FRAs.

Precepts

8. The LGA has consistently argued for greater flexibilities for local authorities when it comes to setting council tax. In the LGA Autumn Budget submission we argued that council tax should be made a truly local tax, with referendum limits abolished.

9. The NFCC has not gone as far as this but has proposed that the rules around council tax precepts are relaxed for FRAs. Bearing in mind that fire accounts for on average 5 per cent of council tax, the NFCC has called for FRAs to be give similar levels of precept flexibility to those given to the shire districts or PCCs. This would allow FRAs to increase the precept by £5 or 2 per cent whichever is the greater without a referendum. Currently FRAs can raise the precept by up to 2 per cent only.

10. If this were agreed, thought would have to be given as to how this could work in county FRA areas.

Policing and fire

11. Now that the Essex Police and Crime Commissioner (PCC) has become the first Police, Fire and Crime Commissioner, and other PCCs have submitted proposals to take on the governance of the fire and rescue service in our area, this raises questions over asset transfers and finance for FRAs. Will the flexibility to increase precepts by £5 given to PCCs apply to PCC-style FRAs?

12. In 2014/15 and 2015/16 the transformation and efficiency fund for fire and rescue services provided £75 million that services could bid into. A similar transformation fund exists for the police for projects that will transform policing by investing in digitalisation, a diverse and flexible workforce and new capabilities to respond to changing crimes and threats. Almost £150 million has been awarded to police forces this financial year.

13. The above figure includes £248,000 to help PCCs bid to become FRAs. This raises the possibility that PCC-style FRAs may be able to access the transformation fund for projects that other FRAs cannot bid for.

14. Although the joint CFOA and LGA submission to the 2015 spending review called for the government to provide further transformation funding to fire and rescue services, FRAs do not currently have access to a similar fund.
Fire Safety costs

15. Increased numbers of safety checks in the wake of the Grenfell Tower fire have imposed significant additional costs for some FRAs, although this may be obscured by a reduction in checks that would otherwise have taken place to transfer resources to high-rise checks. The NFCC has estimated that “the amount of additional advice, audit, inspection, reassurance and enforcement that is already taking place is significant and expected to continue for many months, possibly years. This additional work in support of the Government’s response to Grenfell is already causing many services to divert already reduced resource away from other areas of risk and in some cases use financial reserves to meet demand.”

16. However, our understanding is that the government sees this additional work as ‘business as usual’ and not eligible for new burdens funding.

17. In addition it is possible that new powers and duties in relation to fire safety will arise from the Independent Review of Building Regulations and Fire Safety under Dame Judith Hackitt, or from the Public Inquiry into the Grenfell Tower Fire under Sir Martin Moore-Bick. The LGA has made a number of relevant suggestions in its submission to the Hackitt Inquiry:

17.1. Uncertainty over the relative roles of councils and fire and rescue services and the relationship between the FSO and the Housing Act must be addressed. This could be done either by establishing that fire services or councils are the sole enforcement body or by clarifying powers and responsibilities of each. However, councils should not be put in a position where they are both the proprietor/landlord and regulator. Partnership with the fire and rescue service will be crucial in these instances.

17.2. The enforcing authority needs to be able to treat fire safety in high rise buildings as a whole with the powers to inspect dwellings as well as common parts (including the external envelope).

17.3. The enforcing authority needs greater powers to act when a serious issue is identified. These should include taking control of a building as de facto freeholder where the freeholder fails to address a serious safety issue.

Fire Services Management Committee response to these funding issues

18. While some of the funding pressures facing FRAs have been previously raised with government, those related to Grenfell have only arisen in the last few months and the extent of the work is not yet clear. Councils are only now sending the Department of Communities and Local Government the returns on how many private residential high rise buildings there are in their area. The number that may have ACM cladding, and therefore the amount of work fire and rescue services will need to carry out is not yet clear. While Dame Judith Hackitt is expected to produce an interim report on building regulations and fire safety in December, we are unlikely to know what recommendations her Review will make until April 2018. It is also unclear whether the Home Office has a considered approach to potentially differential arrangements for differing FRAs around access to transformation funding and precept increases going forward.
19. In order to inform the LGA’s future work on funding for the sector and its response to the Hackitt building regulations and fire safety review, members’ views are sought on the following questions:

19.1. Do members agree with the points raised by the NFCC in their submission to the Local Government Finance Settlement: Technical Consultation Paper set out in Annex B? Are there any additional points members believe the LGA should be raising around funding for the fire and rescue service?

19.2. Should the LGA lobby to ensure that all FRAs have the same option to increase their precepts as PCC-style FRAs? This is a less ambitious objective than the LGA’s proposal to abolish council tax referendum requirements. Members may therefore wish to consider pressing for the referendum requirements to be removed from FRAs, but pending the legislation needed to achieve this asking for all FRAs to have the same ability to increase their precepts. This would mean that if PCCs are granted greater flexibility on the fire precept then all FRAs would enjoy the same level of flexibility. It would have particular implications for the funding of county fire and rescue services.

19.3. Should the LGA lobby for the creation of a new fire transformation fund or should we push for the police transformation fund to be expanded to allow bids relating to fire transformation? As the police transformation fund is effectively top sliced from the police grant the latter option would require a change in funding arrangements if all FRAs were to be able to access it.

19.4. Should the LGA work with NFCC to raise awareness of the impact additional safety checks post Grenfell are having on the finances and work of the fire and rescue service? Initial discussions with the NFCC suggest that we would need to survey FRAs to gather the information we require to arrive at a comprehensive picture of the cost of carrying out additional safety checks as part of the government’s building safety programme post-Grenfell. In many cases the work has been carried out by diverting resources away from other work. Quantifying the impact will require more detailed work.

19.5. Should the LGA work with the NFCC to model costs for the sector associated with new powers and duties that may come out of the Review of building regulations and fire safety? Kent FRA have made an initial assessment of what it would costs to carry out fire safety audits on all premises covered by the Regulatory Reform (Fire Safety) Order 2005 in the services’ area on the basis of a schedule of annual or longer frequency inspections rather than risk based inspections. Members may consider it helpful to supplement this information with the costs that other services might incur and to consider the costs of other options that the Review of building regulations and fire safety might consider.

Implications for Wales

20. Responsibility for fire and rescue services is devolved to the Welsh Government.
Financial Implications

21. The questions set out in paragraph 19 include calls for greater flexibility in setting fire authority precepts (with implications for the treatment of fire funding by county services) and additional funding for fire and rescue services.

Next steps

22. Members are asked to:

22.1. Note the work of the NFCC Finance Coordinating Committee on fire finance, and the NFCC’s response to the Local Government Finance Settlement: Technical Consultation Paper.

22.2. Consider the questions set out in paragraph 19 and provide a steer on future LGA work related to the funding of fire and rescue services.

22.3. Make any further recommendations relating to the funding of fire and rescue services.
Annex A: NFCC Fire Finance Coordinating Committee

Report to the LGA Fire Services Management Committee (LGA FSMC) from Phil Hales, Chair of the Fire Finance Coordinating Committee

This report is to provide LGA FSMC with an overview of the National Fire Chiefs Council Finance Coordinating Committee. A presentation providing an update of the current work of the committee will be provided at the meeting.

The NFCC Finance Coordinating Committee (FinCC) was set up as a new committee at the same time as the NFCC. Previously technical support to the CFOA board was provided through the ‘Fire Finance Network’ (FFN). It was agreed by the CFOA that the synergy between the strategic leaders in the sector and the finance experts at a national level should be strengthened to give the NFCC the best opportunity to respond to the increasing difficult financial scenario the sector faces.

The FinCC seeks to develop the direction of Fire Service funding in support of the strategic commitments set out in the NFCC’s strategy, specifically the finance strategic commitment to:

“Work with partners to deliver multi-year budget settlements, collaboration and transformational funding, giving UK fire and rescue services the opportunity to plan for the future and support the delivery of sustainable transformation and reform.”

The current focus of the FinCC is responding to the 2018-19 Local Government Finance Settlement, promoting the need for more flexibility in funding and working with the HO Fire Finance Policy team to develop options for reviewing the Fire Funding Formula.

Technically qualified support is provided to the FinCC by nominated senior finance officers who are members of the FinCC. The Chair is nominated by the NFCC and the Vice Chair will normally be the current Chair of the FFN. This provides a direct link between the two groups. The FinCC is also supported by a ‘Senior User Group’ made up of 9 CFO’s from across the UK. This group provides non-technical strategic advice to the FinCC to enable work to be carried out in a timely manner.

FinCC – Scope, Priorities & Membership

The scope of the FinCC is to:

- Provide effective strategic Fire Service leadership for the development of fire funding and fire related investments across all Fire Service governance arrangements.

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• Provide effective strategic Fire Service leadership to assure and advise NFCC Coordination Committees and programmes on finance and commercial considerations.

• Provide effective strategic Fire Service leadership for change programmes in the Fire Service relating to finance.

• Provide direction and support to the Fire Finance Network and technical officers in support of the NFCC

• Provide effective strategic and technical Fire Service leadership concerning financial rules, procurement, charges, pensions, taxation and VAT.

• To support the professional development of Fire financial leaders.

• To support the professional development on finance of non-finance leaders.

The Priorities of the FinCC are:

• Future funding basis for the Fire Service, including;
  o negotiating a fair deal for the FRS
  o evaluating the risks associated with funding options
  o consider appropriate funding mechanisms across the FRS
  o making recommendations to NFCC and HO

• Securing future capital funding, including;
  o negotiating access to capital funding for the FRS
  o understanding the capital funding requirements across the FRS
  o identifying options and criteria to use capital funding

• Funding for national programmes and associated risks, including;
  o understanding financial risks from national programmes
  o developing options to sustain funding for national programmes
  o making recommendations to NFCC and HO

• Accessibility of transformational funding, including
  o negotiating access to transitional funding for the NFCC
  o identifying criteria and options for transitional funding
  o making recommendations to NFCC and HO

Membership of the NFCC Finance Committee is:

• Chairperson elected by the NFCC
Fire Services Management Committee
17 November 2017

- Vice Chair who will normally be the chair of the Fire Finance Network
- Representative of a Metropolitan Fire Service
- Representative of a Combined Fire Service
- Representative of a County Fire Service
- Representative of London Fire Brigade
- Representative of Metropolitan Mayor Governance model
- Representative of a PCC governance model
- Representatives of the devolved administrations
- Firefighters’ Pension Adviser LGA
- Portfolio holders for specific subject matter areas and projects, as required (e.g. ESMCP & Fire Funding Formula working group & HMICFRS)

Roger Palmer
Department for Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

LGFConsultation@communities.gsi.gov.uk

26th October 2017

Dear Roger

The 2018-19 Local Government Finance Settlement: Technical Consultation Paper
This letter represents the response from the National Fire Chiefs Council (NFCC) Finance Coordination Committee to the Technical Consultation on the 2018-19 Local Government Finance Settlement. The Committee also refers the Department to individual responses from fire and rescue authorities.

The National Fire Chiefs Council (NFCC) came into effect in April 2017 and is comprised of all Chief Fire Officers from England, Wales, Scotland and Northern Ireland. The Finance Coordination Committee is a sub group of senior fire and technical officers who represent the combined financial interests of the UK fire service. In some parts of the UK the funding of the fire service is a devolved function. Therefore, this response represents the views of the English fire and rescue authorities only.

Whilst the fire service is currently funded by the business rates retention scheme, the Committee is only responding to the specific questions relating to the referendum principles. The NFCC are asking for additional council tax flexibility for the fire and rescue service along the lines of that offered to shire districts or police and crime commissioners. That is £5 or 2% whichever is the greater for fire and rescue services. Our members believe that accountability should rest with the authority or, in some cases, the directly elected PCC or Mayor. In addition, our members would like to make some points regarding the pressures on their budgets.

Funding Reductions

Unlike the police service, the fire service has not been offered protection through recent austerity. Since 2010 the funding from the Department for Communities and Local Government to stand-alone fire and rescue services (FRS) has been cut by over a third. According to CIPFA statistics; between March 2010 and 2016 the total number of whole time firefighter posts in England fell by 19.5%. Over the same period the total number of retained firefighters fell by 12.1%. The number of fire safety audits carried out reduced by 25% whilst the number of hours spent on safety checks fell by over a quarter (26%).
Over these years' average response times increased from 8.2 minutes to 8.8 minutes. All of the available research highlights the relationship between response times and survivability. And, whilst most Fire and Rescue Services have integral Prevention, Protection and Response Strategies within their Integrated Risk Management Plans, which contribute to local response standards, this increase in response times cannot be ignored.

The fire and rescue service has reformed and driven efficiencies whilst attempting to maintain its core emergency response function within an acceptable risk profile. However, the NFCC are concerned that the funding reductions of recent years are unsustainable. Whilst the number of primary fires fell in the early 2000s; in 2012 the year-on-year reductions began to slow and, since 2013 the number of primary fires has plateaued and is now beginning to increase.

Stand-alone FRS in England forecast net current expenditure in 2017-18 is approximately £1.26bn. This spending is generated from both central governments grant funding and council tax. Whilst the government funding has been cut the service has been unable to raise sufficient revenue through the local precept due to the introduction of a “referendum threshold”. A 2% council tax increase still represents a real terms cut in funding for the FRS. Whilst Authorities have the ability to undertake a referendum if a council tax increase of more than 2% is proposed, the cost of a referendum for a fire service is disproportionate to the potential additional income. This is therefore a more difficult option for fire and rescue services which carries additional financial risks, which we believe is an unintended consequence of a government policy designed to control ‘excessive’ increases in council tax.

Increasing Demand

The fire and rescue service funding is not based on demand but on measures of risk and resilience (NAO report: Impact of funding reductions on the fire and rescue service). The NFCC believe that, whilst funding reductions have been managed to date, that the FRS is now at a tipping point where further funding cuts will pose an unacceptable risk to communities. The Fire and Rescue Service plays a key role in protecting the Critical National Infrastructure. We have recently seen a number of major incidents across the UK which have placed an increased demand on all emergency services, and with the current threat planning assumptions it is unlikely that this demand will decrease for the foreseeable future.

The public inquiry into the Grenfell tragedy earlier this year is ongoing but the service remains concerned that without investment in the UK FRS the number of local, regional and national incidents will increase and subsequently put the safety of communities at an increased risk. In the days following the Grenfell fire the Government announced a review of the current building regulations and the NFCC anticipates that this is highly likely to impact on demand. Indeed, the amount of additional advice, audit, inspection, reassurance and enforcement that is already taking place is significant and expected to continue for many months, possibly years. This additional work in support of the Governments response to Grenfell is already causing many services to divert already reduced resource away from other areas of risk and in some cases use financial reserves to meet demand.

On 4 July 2017, the Fire Service Minister, Nick Hurd, spoke at the annual fire safety conference and reflected on the Grenfell tragedy. In his speech he said that it was crucial that the public are reassured about the safety of the buildings that they reside in and that it is imperative to increase public confidence in the management of the risk of fire.
Mr Hurd outlined the vital role that the FRS will play in that reassurance role; including increased safety checks and enforcement action where fire risks are found to be unacceptable. As highlighted by the statistics above, the number of these inspections has fallen dramatically in recent years; mirroring the funding available to the service. An increased demand for fire safety inspections in the future will require investment, without which further cuts to fire service budgets will lead to a degradation of services. Since 2010-11 there has been a 28% reduction in the number of specialist Fire Protection Officers. Predictably, there has also been a 25% reduction in the number of fire safety audits carried out.

Resourcing Challenges

Whilst this consultation only applies to English FRS our members across the UK are reporting that they have reached an irreducible number of whole-time and on-call firefighters that are required to maintain the existing level of service and many are now recruiting firefighters for the first time in a number of years. We still do not know the full impact of the 2015 pension regulations on staff retention however it is anticipated that turnover of staff will continue to increase adding an additional burden on core funding.

Whole-time firefighters provide cover to most urban areas whilst rural areas are more reliant on on-call or part-time firefighters. With on-call firefighters tending to only stay in the role for between 4 and 6 years, this presents a huge challenge for the service that needs to plan for higher than previous turnover and the associated costs of recruitment. Our members estimate that it costs approximately £7,000 to fully train, equip and enrol an on-call firefighter. With the majority of services detailing a turnover of between 7% and 10%, this would equate to an annual expenditure of approximately £7.3 million per year, just to maintain the number of personnel at current levels.

The NFCC believe that investment in retention and recruitment strategies would attract more applicants, help to retain them for longer as well as attracting a more diverse workforce. A number of FRSs have tried to ensure levels of competence as well as expand the role of firefighters for more service delivery options. However, these all have a direct cost. Every additional hour of an on-call firefighter costs £13.53 – this means that for a FRS with 300 on-call personnel, one additional hour a week of training costs in excess of £0.2m plus on-costs per year.

Fire Safety & Operational Resilience

As highlighted earlier, there is a strong link between response times and survivability underpinned by academic research, but that is not the only factor of an effective response. The weight of the response is equally important.

The Grenfell Tower incident served as a very stark example of the impact of a significant fire. In headline terms Grenfell was a 40 pump fire. This however only reflects the number of conventional fire appliances in attendance at the incident.

What is not captured is the number of special appliances and Officers in attendance, all of which are essential to maintaining safe systems of work and providing an effective response.
capability. What is also not captured is the impact of maintaining 40 pumps over a protracted period of time. A 20 pump rolling relief results in 60 pumps being deployed at any given time. The Home Office have asked fire colleagues what the response to a Grenfell-type incident would look like during nationwide industrial action. The reality is that if Grenfell had occurred anywhere other than London in normal circumstances, let alone during a strike, it would be a significant challenge for any FRS to resource even when drawing extensively on mutual assistance.

With the exception of the urban search and rescue capability, all other national resilience capabilities are drawn from normal FRS budgets. The reductions in firefighter numbers directly impact on the availability of personnel to support national resilience capabilities.

**Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?**

**Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?**

The NFCC are asking for additional council tax flexibility for the fire and rescue service along the lines of that offered to shire districts or police and crime commissioners. Our members believe that accountability should rest with the authority or, in some cases, the directly elected PCC or Mayor.

In 2017-18 the stand-alone FRS precept ranged from £57.14 to £97.65. The lowest shire district precept in 2017-18 is £80.46 whilst the lowest police precept is £98.33; both of which will be offered additional flexibility in 2018-19. The NFCC suggest that, given the similar levels of precept, that the fire service be offered similar referendum principles to those given to the shire districts or the police and crime commissioners. That is £5 or 2% whichever is the greater for fire and rescue services.

The fire element of the average local authority council tax band D bill in stand-alone FRS areas is worth just 5% of the total bill. Even allowing stand-alone FRS to increase their precept by £5 would only increase average local authority council tax band D bills by approximately 0.5%.

We have already outlined the pressures being faced by the service and the likelihood that these demands will increase as a result of the Grenfell Tower fire. Many of our members are working as part of a larger county or unitary authority and whilst those larger organisations will likely be responding to this consultation it is possible that pressures in fire and rescue services may be overshadowed by the well-publicised pressures in adults and children’s social care. The NFCC would like to highlight that the fire and rescue services within these larger authorities will still be facing the same pressures as their stand-alone FRS colleagues.

The Technical Consultation paper states that the DCLG will soon be publishing fire and rescue Assumed Notional Amounts (ANAs) – the NFCC suggests that these can be used to allow fire and rescue services which are part of larger local authorities to increase their precepts in line with more flexible principles, above the set limits, thus allowing further investment in those fire and rescue services.
Summary

Funding cuts since 2010 have seen a reduction in the number of firefighters and fire safety audits whilst the response times have been increasing. The fire service is not funded based on demand but on risk and resilience. Whilst the number of primary fires fell in the early 2000s, numbers are now beginning to increase and the FRS are concerned that levels of risk and national resilience are close to unacceptable levels.

This response has outlined the specific pressures that the service is currently under, including the potential for further pressures as a result of ongoing reviews of the building regulations and specifically fire safety procedures. The Grenfell Tower tragedy was a stark reminder of the dangers posed by fires, the importance of fire safety and of national resilience. Similarly, to the rest of the public sector, the FRS are also dealing with pressures of general and wage inflation, increases to national insurance contributions and the demands caused by an aging population; 21% of fires occurring in a home are in those where the residents are aged 65 or over. We are seeing an increase in many societal issues, such as drink and drugs, social housing issues leading to homelessness and new risks such as 'beds in sheds', these all impact on the demand of the fire and rescue service.

The NFCC are calling for additional council tax flexibility for the fire and rescue service – both for stand-alone FRS and those within larger local authority organisations. This will help the service maintain a risk-based service that can respond to new threats and provide local and national resilience in its prevention, protection and response functions.

The Fire and Rescue Service are keen to work alongside the DCLG and colleagues in the Home Office to review the fire and rescue funding formula but whilst the distribution is important the sufficiency of funding nationally is also critical.

The NFCC would welcome the opportunity for further dialogue with ministers to ensure the service provided to the UK matches the expectations of both local communities and the government.

Yours sincerely

Philip Hales
Chair of NFCC Finance Coordination Committee
National Fire Chiefs Council