

National Audit Office review of FRAs

Purpose

For discussion and direction.

Summary

At the beginning of November the National Audit Office published two reports into the impact of funding reductions on Fire and Rescue Authorities (FRAs) since 2010/11. These reports have also been considered by the Public Accounts Select Committee. This paper outlines the findings of the two reports and the key lines of enquiry that the Select Committee has followed.

Recommendations

Members are asked to:

- a) Note the NAO reports and the key points of inquiry raised at the Public Accounts Select Committee, as well as the joint LGA and CFOA response to some of these point; and
- b) Discuss and direct any further activity.

Action

Officers to implement the recommendations, and any other work identified by the Board.

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National Audit Office review of FRAs

Background

1. On 5 November the National Audit Office (NAO) published two reports on Fire and Rescue Authorities (FRAs) in England: [Impact of funding reductions on fire and rescue services](#) and [Financial sustainability of fire and rescue services](#). The reports were compiled under the Local Audit and Accountability Act 2014 which allows the NAO to examine the economy, efficiency and effectiveness with which local authorities, including FRAs, discharge their functions.

Impact of funding reductions on fire and rescue services

2. The aim of this report was to contribute to the ongoing financial planning by FRAs. It looked at the changes in FRA income since 2010/11, what savings FRAs have made, and the implications for FRAs financial sustainability.
3. The report found:
 - 3.1. Funding for FRAs had fallen significantly between 2010/11 and 2015/16 – on average by 28% for stand-alone FRAs. This translates into an average reduction of 17% in income (or spending power). However the sector has been successful in managing the reductions.
 - 3.2. Spending power had fallen most in areas with the highest level of fire need, and falls in funding had not been offset by increases income. Savings had predominantly come from reducing staff costs with full time equivalent posts falling by 14% between 2010/11 and 2014/15.
 - 3.3. FRAs had not switched to using retained firefighters to deliver changes or by reducing the number of fire stations. Instead in some areas the type of appliance sent to fires had changed and the number of firefighters crewing it had changed as well.
 - 3.4. Collaboration with other sectors had often added value to the other sectors rather than addressing the financial challenges faced by FRAs.
 - 3.5. FRAs had reduced their prevention and protection work, although the NAO accepted that some of the reduction in fire risk checks might be due to better targeting. The NAO pointed out it was difficult to assess the impact of this change due to the lack of research on their contribution to reducing the number of fires.
 - 3.6. Although the number of fires and casualties had continued to decline over the longer term there are emerging patterns that need further analysis such as why some areas had seen an increase in non-fatal casualties, though there was no link to spending reductions and they could reflect fluctuations in small numbers of incidents.
 - 3.7. If funding reductions continue FRAs would be faced with the challenges of implementing new cost reduction measures, while also managing increase risks as a result of the funding reductions.

Financial sustainability of fire and rescue services.

4. This report examined whether the Department of Communities and Local Government (DCLG) understands the impact of funding reductions on the financial sustainability of

FRA's. It looked at the impact of funding reductions on FRA's, the extent to which DCLG had taken an informed approach in making the reductions, and the effectiveness of DCLG's system for providing assurance on the sector's financial health.

5. The report found:

- 5.1. Funding for FRA's had fallen significantly between 2010/11 and 2015/16, but the sector had coped with the financial challenges to date, and as a whole had increased the level of reserves. However there are some potential signs of low level financial stress in some authorities.
- 5.2. Savings had come predominantly from reducing staff costs, through changes to the scope of their emergency response service and the scale of prevention and protection services. Despite these changes the number of fires and casualties have continued their long-term downward trend, and health and safety statistics for firefighters have improved.
- 5.3. FRA's are risk-based organisations with services designed to provide resilience against major events rather than meeting average demand. While average demand has continued to fall, the risk of serious incidents has not necessarily fallen, though data indicates that the number of fires attended by 5 or more vehicles fell by 31.5% between 2010/11 and 2014/15. This could mean the frequency of serious incidents is declining, but it does not mean the severity of the incidents has declined.
- 5.4. DCLG's understanding of the underlying costs of the service is limited. Its analysis had found 'inexplicable' differences in spending between FRA's, which was attributed to differences in efficiency. The NAO's analysis found a substantial proportion of the differences could be explained for example by local risk factors. There were also gaps in DCLG's understanding of FRA activities and standards.
- 5.5. DCLG should improve its understanding of FRA's financial sustainability, though it is seeking to increase the robustness of its oversight, and while its assurance on national resilience is robust it is stronger in some areas rather than others. Assurance at a local level has been devolved but there are gaps. There is no external inspectorate, DCLG relies on local scrutiny to safeguard standards and value for money, and is also reliant on FRA's to self-certify their compliance with their duties. The NAO also criticised the role peer challenges play in providing local assurance, and suggested DCLG consulted the sector on ways in which the peer challenge system could be strengthened as part of a range of measures to strengthen its assurance on the operational performance of the sector.

Assessment of the reports

6. Between them the two reports are a testimony to the quality of the fire and rescue service. FRA's have absorbed significant reductions in central government funding since 2010/11, yet the number of fires and casualties from fires have continued to decline, while the health and safety statistics for firefighters have improved. Outside of local government few other services have been able to achieve comparable results.
7. In drafting the reports however the NAO seems to have become confused about the nature of the assurance framework DCLG has in place and the role of the LGA's and the Chief Fire Officers Association's (CFOA) fire peer challenges. As the LGA stressed to the NAO when consulted about the draft wording of the reports the peer challenges are not part of an assurance framework, but are part of a sector-led approach to improving performance.

Public Accounts Select Committee

8. Following publication of the reports the Public Accounts Committee announced it would be holding an inquiry into the impact of funding reductions on the effectiveness of fire and rescue services, with a report due in January. An [evidence session](#) was held on 26 November. The FSMC's Chair, Cllr Hilton, along with Sir Ken Knight and Paul Hancock, President of CFOA and Chief Fire Officer for Cheshire, was invited to give evidence at a pre-panel session. Issues discussed in the session included the capacity of FRAs to deliver more efficiencies, transferring governance of the fire and rescue service to police and crime commissioners, assurance about the capacity of the service to deliver its national resilience requirements, whether there should be a national inspectorate, and the role of peer challenges in providing assurance. Cllr Hilton and Paul Hancock both made the point to the committee that peer challenges are a sector self-improvement tool, not part of the assurance framework.
9. After the pre-panel session Melanie Dawes, Permanent Secretary at DCLG, Peter Holland, Chief Fire and Rescue Adviser and Neil O'Connor, former Director of Fire Resilience and Emergencies gave evidence. Much of the first part of the session was taken up with a discussion around redundancy and re-engagement policies in FRAs, and the Committee then looked at whether DCLG could be assured FRAs were delivering the services they needed to along with value for money without a fire inspectorate, what information was available to the government to identify FRAs where there were problems, about the difference between performance measures and standards, the ability to compare performance between FRAs, the prospect for mergers between services including mandated mergers, the role of police and crime commissioners in fire governance, how the value for money of FRAs contributions to wider health and social care work could be measured and accounted for, and the impact of the Spending Review on FRAs.
10. At the end of the evidence session the Committee returned to the issue of inspection of FRAs. Melanie Dawes indicated that the proposals set out for strengthening peer challenges in the Knight report were very helpful, and although the LGA and CFOA had improved the process, DCLG would be considering over the next six months whether to make peer reviews compulsory, whether to require all reports to be published and whether or not to allow FRAs being reviewed to select their reviewers. The Permanent Secretary also said DCLG would be looking at the NAO's suggestions around data and the ability to compare this.

Next steps

11. The LGA and CFOA have already jointly feed in views to DCLG about the NAO reports. We have pointed out that over the last three years all 46 FRAs in England have voluntarily had a peer challenge and the great majority of these have been published online. We have also stressed that as an independent facilitator the LGA works to identify a suitably challenging team of member and officer peers to deliver the peer challenge taking into account the need to offer input on specific aspects of the service identified by the FRA. In addition the LGA and CFOA have been working with DCLG and the Chartered Institute of Public Finance and Accountancy to develop a suite of benchmarking criteria that will allow robust and valid comparison across services, with the work on this being conducted over the next six months. This will be in addition to the

200 different indicators related to the fire service on LG Inform, and which already allows users to compare performance across FRAs. We will continue to make these points in discussion with DCLG in the months ahead, and will also continue to make the point that there is already a robust assurance framework in place for FRAs and there is no need for an inspectorate for the fire service.

12. Members are asked to:

- 12.1. Note the NAO reports and the key points of inquiry raised at the Public Accounts Select Committee, as well as the joint LGA and CFOA response to some of these point; and
- 12.2. Discuss and direct any further activity.

Financial Implications

13. There are none arising from this report.