



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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**Department for Communities and Local Government**

# Financial sustainability of fire and rescue services

## Key facts

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**46**

fire and rescue authorities including stand-alone and county authorities alongside the London Fire and Emergency Planning Authority

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**22%**

estimated average real-terms reduction in spending power of stand-alone fire authorities from 2010-11 to 2015-16

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**23%**

fall in number of primary fires in England from 2010-11 to 2014-15

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| <b>12%</b> | real-terms reduction in spending on fire and rescue services from 2010-11 to 2014-15  |
| <b>14%</b> | reduction in whole-time firefighters between 2010-11 to 2014-15   |
| <b>2%</b>  | reduction in number of fire stations between 2010-11 and 2014-15  |
| <b>0</b>   | 'section 114' reports issued during the 2010 spending review period by local authority chief finance officers because of unbalanced budgets |
| <b>22%</b> | reduction in fatal casualties at fires from 2010-11 to 2014-15  |
| <b>5%</b>  | net reduction in government grant to fire and rescue authorities in 2015-16 compared to 10% for local authorities                           |
| <b>36</b>  | authorities that received funding in 2015-16 under the Fire Transformation Fund   |
| <b>33</b>  | authorities with response standards available on their websites   |

# Summary

**1** The Department for Communities and Local Government (the Department) is responsible for ensuring the public is adequately protected from fires and other emergencies. It does this by providing financial resources to fire and rescue authorities, enabling them to raise their own income, and establishing a statutory framework within which they must operate.

**2** Fire and rescue authorities carry out a range of duties, notably:

- responding to fires, road traffic accidents, and other emergencies;
- contributing to national resilience: collectively being able to respond to up to 4 simultaneous national-level emergencies;
- undertaking preventative activities to reduce the risks of fire; and
- carrying out safety inspections of business premises.

**3** There are 46 fire and rescue authorities in England, comprising:

- 6 metropolitan authorities: stand-alone authorities, serving the communities of groupings of metropolitan district councils.
- 24 combined authorities: stand-alone authorities, serving the communities of combined county council and unitary authority areas.
- 15 county authorities: integrated within an individual county council or unitary authority.
- London Fire and Emergency Planning Authority (LFEPA): a body of the Greater London Authority.

**4** Over the last Parliament, the Department reduced funding for fire and rescue authorities. Under localism it also provided authorities with greater control over their spending decisions and withdrew some of the detailed frameworks for monitoring spending and performance. The Department is clear that fire and rescue authorities are responsible for organising their own services, and being accountable to local communities.

**5** This report examines whether the Department understands the impact of funding reductions on the financial and service sustainability of fire and rescue services. We do not think it is contrary to the policy of localism to assess whether the Department has enough information to understand the impacts of its funding decisions on its objectives for the sector and duties it has set for fire and rescue authorities.

## Our report

**6** This report complements others we have published on the government's oversight of local services during a period of funding reduction.<sup>1</sup> This report has three parts:

- Part One summarises the impact of funding reductions on fire and rescue authorities.
- Part Two assesses the extent to which the Department has taken an informed approach to implementing funding reductions, as well as how it has assisted fire and rescue authorities to manage reductions.
- Part Three examines the effectiveness of the Department's system for providing assurance on the sector's financial health and service standards.

**7** This report complements *The impact of funding reductions on fire and rescue authorities*, our companion report that analyses in detail the impact of funding reductions on these bodies.<sup>2</sup>

## Key findings

### Impact of funding reductions on financial sustainability

**8 Funding for fire and rescue authorities has fallen significantly between 2010-11 and 2015-16.** Funding for stand-alone authorities fell on average by 33% in real terms. Once council tax and other income is taken into account, stand-alone authorities received an average reduction in total income ('spending power') of 22% in real terms (paragraphs 1.6 to 1.7).

**9 The sector has coped well with financial challenges to date.** There have been no financial failures, either a fire and rescue authority failing to set a balanced budget or being unable to finance expenditure in-year. The sector as a whole has increased financial reserves. However, there are some potential signs of low-level stress in a number of authorities including local auditors and peer challenge teams raising concerns in a small number of authorities. While authorities drawing on their reserves are still few, numbers have grown steadily since 2010-11. However, while this may indicate financial stress, use of reserves can also form part of a robust financial strategy (paragraphs 1.13, and 1.22 to 1.25).

<sup>1</sup> This includes reports both on local authorities, police, NHS trusts, and further education colleges. For example, Comptroller and Auditor General, *Financial sustainability of police forces in England and Wales*, Session 2015-16, HC 78, National Audit Office, June 2015; and Comptroller and Auditor General, *Financial sustainability of local authorities 2014*, Session 2014-15, HC 783, National Audit Office, November 2014.

<sup>2</sup> Comptroller and Auditor General, *The impact of funding reductions on local authorities*, National Audit Office, November 2015.

**10 Savings have come predominantly from reducing staff costs.** Fire and rescue authorities have a duty to make provision to respond to emergencies, informed by their assessment of local risk. In this context, authorities have protected appliances and fire stations but reduced numbers of firefighters. Authorities have largely maintained appliances and stations as they are key to maintaining response standards and valued by the public. Fire control, non-uniform and senior firefighter managerial posts have seen the largest reductions in numbers, but numbers of non-managerial whole-time firefighters have reduced by around 14% from 2010-11 to 2014-15 nonetheless (paragraphs 1.16 to 1.20).

**11 Fire and rescue authorities have changed the scope of their emergency response services and the scale of their prevention and protection services since 2010-11.** In general, fire authorities have not changed their emergency response standards as a result of budget cuts, but sometimes changed the type of appliance that attends and the weight of crewing. At the same time, prevention and protection services such as audits and inspections, and fire risk checks have reduced since 2010-11. However factors in addition to funding reductions, such as greater targeting, could also underlie these changes (paragraphs 1.30 to 1.33).

**12 Despite reductions in funding, and reductions in the number of firefighters authorities are sending to certain incidents, the number of fires and casualties have continued their long-term downward trend.** Numbers of fires and casualties have fallen substantially since 2000-01. These trends have continued. Primary and secondary fires fell by 23.2% and 38.8% respectively between 2010-11 and 2014-15. Fatal and non-fatal casualties fell by 22.1% and 26.0% respectively over the same period. Health and safety statistics for firefighters also continued to improve overall (paragraphs 1.34 to 1.35).

**13 Some fire authorities have indicated that their capacity to respond to major incidents might be compromised by further funding reductions.** Fire authorities are risk-based organisations meaning their services are designed to provide resilience against major events, rather than to meet average demand. While average demand has continued to fall, this does not mean that the risk of serious incidents has fallen. However, data from the Department indicate that the number of fires attended by 5 or more vehicles fell by 31.5% from 2010-11 to 2014-15. This may indicate that the frequency of peaks in demand faced by fire authorities is reducing. However, it does not mean that the severity of those remaining peaks has declined. Further analysis of the Department's data would be required to confirm this (paragraphs 1.38 to 1.39).

## The Department's oversight of funding reductions

**14 The Department's understanding of the underlying costs of providing fire and rescue services is limited.** The Department commissioned analysis which found there were "inexplicable" differences in spending across the sector, implying sizeable scope for increasing efficiency. Our analysis found that a substantial proportion of the differences could be explained, for example by local risk factors such as the presence of industrial facilities which tend to make fire services inherently more expensive. This suggests the Department needs to improve its understanding of the potential for further efficiency savings. A better understanding of which authorities are more efficient than others ought to lead to deeper insight into how less efficient authorities can make further savings (paragraphs 2.3 to 2.5).

**15 There are some gaps in the Department's understanding of changes to fire and rescue authorities' service activities and standards.** The Department focuses primarily on data on outcomes to the public for its understanding of impacts of funding reductions on services. This means service failings would emerge only once they have occurred. While it has some awareness of the measures some authorities are taking to reduce costs, it does not have an overview of the progress of the implementation of key elements of its efficiency proposals nor the impact on service provision (paragraphs 2.6 to 2.9).

**16 While protecting the sector relative to local authorities overall, the Department has reduced funding most to fire and rescue authorities with the highest levels of need.** The Department gave the sector smaller funding reductions than local authorities at both Spending Review 2010 and Spending Round 2013. At the same time, fire authorities with greater needs as defined by the social and demographic factors within the fire and rescue relative needs formula also received the largest funding reductions. Following changes to the funding system in 2013-14, in which change in funding is now driven by levels of local growth rather than change in fire risk, the distribution of funding may diverge increasingly from need (paragraphs 1.9 to 1.12, and 2.15 to 2.16).

**17 The Department is supporting the sector to implement efficiency and transformation programmes, but some projects are focused on adding wider value to other sectors rather than reducing long-term costs of fire and rescue.** The Department provided the sector with a £75 million Fire Transformation Fund in 2015-16 to help the sector make long-term cost reductions. A significant element of the sector's approach, however, aims as much at adding value to other sectors (such as adult social care or youth services) as reducing its own costs. The Knight Review raised questions about the value for money of some of these approaches and the extent to which they were being used to maintain existing levels of latent capacity, as opposed to making productive use of the latent capacity needed to provide sufficient fire cover (paragraphs 2.17 to 2.23).

## Preventing financial and service failure

**18 Fire and rescue authorities are subject to legal controls that make it difficult for them to fail financially.** As with local authorities, fire and rescue authorities have a statutory duty to set balanced budgets, and are thus legally prevented from running a deficit. A consequence of this is that any pressures resulting from funding reductions would be more likely to be manifested in service changes than financial failure (paragraphs 3.5, and 3.8).

**19 The Department's understanding of fire and rescue authorities' financial sustainability could be improved.** The Department relies primarily on authorities to self-assess whether they have sufficient funding to maintain their duties, and to raise concerns about their financial sustainability with the Department themselves. While the Department gains intelligence on the concerns of senior fire officers through extensive contacts, it has not to date sought to carry out its own assessments of authorities' financial sustainability. The Department is currently increasing the robustness of its financial oversight and considering how to enhance its understanding of risks to authorities' financial resilience. These additional efforts should be kept under review (paragraphs 3.6 to 3.8).

**20 The Department's assurance over national resilience – the ability of fire and rescue authorities to respond to national incidents – is robust, but stronger in some areas than others.** The Department retains strategic responsibility for national resilience. It has a well-developed assurance system and oversight provided by a strategic resilience board. It oversees an annual audit programme which focuses most on specialised teams and equipment. Some authorities have expressed concern that ongoing funding reductions would, by reducing their wider operational capacity, impair their ability to contribute to national resilience. However, the Department has given authorities a duty to alert it to any gaps in their national resilience capacity, and established that any such gaps would be considered by the strategic resilience board (paragraphs 3.12 to 3.13).

**21 The Department has largely devolved assurance over the running of fire and rescue authorities to a local level, but there are gaps in this localised system.**

The fire sector is different from other emergency services in not having an external inspectorate. The Department relies on local scrutiny (from peers within the sector, elected councillors, and the general public) to safeguard service standards, governance, and value for money of each authority. While this is in keeping with its policy of localism, the Department has not attempted to test the effectiveness of the local systems to which it has delegated accountability. There are shortcomings in some of these local arrangements; for example, some authorities think that peer challenges are not always rigorous and independent. Meanwhile, councillors generally lack independent technical support, and an absence of standardised information on response standards makes it hard to compare performance across different authorities. The Department has not reviewed the effectiveness of peer challenges, but is aware of ongoing efforts within the sector to strengthen the way they are conducted. However, weaknesses remain which undermine the assurance the Department can obtain for itself or provide to Parliament, and create risks to local value for money (paragraphs 3.14 to 3.24).

**22 The Secretary of State has a statutory duty to assure Parliament on the standards of fire and rescue authorities, but the Department's evidence to support these statements is limited.**

In the last assurance statement to Parliament, the then Secretary of State confirmed he was satisfied that all fire and rescue authorities had complied with their mandated duties. The underlying work carried out by the Department, however, relied almost entirely on the duty on authorities to self-certify their compliance. The Department's actions were mostly limited to verifying that authorities had published documents on their websites and that these had been signed off by authority chairs. While the Department's position is that authorities are required to manage their own risks and be locally accountable, it is not making its own assessment of how effectively they are doing so. Its approach meant it did not reflect concerns raised by the Knight Review about the effectiveness of local scrutiny in the evidence supporting the last assurance statement to Parliament (paragraphs 3.25 to 3.28).

## **Conclusion on value for money**

**23** Fire and rescue authorities have managed funding reductions since 2010 well: numbers of fires and casualties have continued to fall and there have been no financial failures. To ensure the continued financial and service sustainability of the sector in the context of ongoing funding reductions, we would expect the Department to have a fuller understanding of the appropriate funding level necessary to support services. Equally it should oversee an accountability system capable of providing robust assurance that authorities are maintaining service standards and delivering value for money locally. The Department needs to improve on both criteria to ensure that it is well-placed to deliver value for money in the future. In particular, it has weak assurance over the effectiveness of the local accountability system for fire and rescue, and this needs to be strengthened.



## Recommendations

### Delivering further savings

- a **The Department should improve its understanding of the capacity of the sector to deliver further savings and the likely implications of funding reductions by:**
- **assessing the potential for different authorities to make further efficiency savings by examining underlying costs and assessing efficiency measures they have taken; and**
  - **analysing the factors behind the long-term downward trend in fires and casualties, seeking in particular to identify the contributions made by the preventative and response activities of fire and rescue authorities.**

### Supporting transformation

- b **The Department should assess the likely impacts of different types of service transformation on cost reduction and service improvement.** In particular it should work with the sector to assess the value for money of activities which primarily add value for other sectors and the extent to which these activities are able to address the sector's own financial challenges over the current Parliament.

### Strengthening assurance

- c **The Department should strengthen its assurance on the operational performance of the sector by:**
- **widening the scope of national resilience assurance**, to include an assessment of whether authorities' local operational capacity is adequate simultaneously to contribute at major incidents and maintain local service levels;
  - **consulting the sector on ways in which the peer challenge system could be further strengthened**, potentially by involving the Chief Fire and Rescue Adviser;
  - **encouraging authorities to standardise the format of operational targets and performance reporting;** and
  - **gathering substantive evidence to support the Secretary of State's assurance to Parliament.**