



National Audit Office

Local government report

by the Comptroller and Auditor General

Local government

Impact of funding reductions on fire and rescue services

NOVEMBER 2015

Key facts

46

fire and rescue authorities
(stand-alone, county and the
London Fire and Emergency
Planning Authority)

17%

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

23%

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

- 39%** fall in number of secondary fires, small fires largely confined to outdoor locations, in England from 2010-11 to 2014-15
- 22%** fall in number of fatalities in fires in England from 2010-11 to 2014-15
- 30%** reduction in audits and inspections carried out by fire and rescue authorities, 2010-11 to 2014-15
- 27%** reduction in personnel hours spent on fire safety checks carried out by fire and rescue authorities, 2010-11 to 2014-15
- 14%** reduction in full-time equivalent posts in fire and rescue authorities, 2010-11 to 2014-15
- 67%** real-terms increase in total reserves for stand-alone fire and rescue authorities, 2010-11 to 2014-15

Summary

1 Since 2010, the government has reduced funding for fire and rescue authorities in England by between 26% and 39%. The government has also changed the way it funds local government as a whole to provide incentives for local growth. This has created financial opportunities, but also increased risk and uncertainty.

2 Within this challenging context, fire authorities must 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 risk 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 The Department for Communities and Local Government (the Department) has overall responsibility in central government for fire and rescue authorities' funding. This includes distributing the majority of funding voted by Parliament to support fire and rescue authorities in delivering their core services.

5 Ensuring that fire and rescue authorities remain financially sustainable, in that they deliver their statutory services to a sufficient standard, is challenging. A robust financial framework effectively prevents local authorities becoming insolvent. However, assessing the impacts of funding reductions on service provision in a risk-based emergency service is complex.

Our report

6 This is the third local government report published under the Local Audit and Accountability Act 2014. This provides powers to the Comptroller and Auditor General to examine the economy, efficiency and effectiveness with which local authorities, including fire and rescue authorities, use their resources in discharging their functions. The purpose is to provide evaluation, commentary and advice of a general nature.

7 This report provides detailed comparative analysis of changes in income, spending and financial and service sustainability across the sector. Our objective is to contribute to fire and rescue authorities' ongoing financial planning by:

- enabling fire and rescue authorities to compare their performance on key financial and service issues against trends in the sector; and
- disseminating information about the strategies and actions different fire and rescue authorities have taken to tackle their financial challenges.

8 The report has three parts:

- Part One explores changes in fire and rescue authorities' income since 2010-11.
- Part Two examines the actions taken by fire and rescue authorities to deliver savings.
- Part Three assesses the implications of funding reductions on fire and rescue authorities' financial and service sustainability.

9 The report complements our value-for-money report on the Department's approach to fire and rescue service funding, *Financial sustainability of fire and rescue services*.¹ It draws on detailed analysis of data on spending and activities, along with information from case study authorities. A separate methodology is available at: www.nao.org.uk/report/impact-of-funding-reductions-on-fire-and-rescue-services/

Key findings

Changes in income

10 Funding for fire and rescue authorities has fallen significantly between 2010-11 and 2015-16. Funding for stand-alone authorities fell on average by 28%. Once council tax and other income is taken into account, stand-alone authorities received an average reduction in total income ('spending power') of 17% in real terms.

11 Spending power has fallen most in areas assessed by the Department as having highest levels of fire need. Within stand-alone authorities there are significant variations in reductions in levels of spending power. Those that traditionally received a larger share of their income from government grants rather than council tax have seen a larger reduction in their spending power. Grant-dependent areas tend to be those with higher levels of fire need including high-risk social groups or industrial facilities.

¹ Comptroller and Auditor General, *Financial sustainability of fire and rescue services*, Session 2015-16, HC 491, National Audit Office, November 2015.

12 Fire and rescue authorities have not offset funding reductions by increasing income. Council tax income has remained relatively stable in real terms. Income from sales, fees and charges does not form a significant element of funding for fire and rescue authorities and fell by 22% in real terms across the sector.

13 Levels of reserves have increased significantly in stand-alone fire and rescue authorities. Stand-alone fire authorities hold financial reserves specifically for fire and rescue services. Other types of fire authority have access to their parent authority's total reserves. All but one stand-alone fire authority increased total reserves in real terms from 2010-11 to 2014-15, a collective increase of 67% in real terms. A number of authorities explained they had been able to build up reserves, even though their funding was going down, because they had succeeded in cutting spending faster than the fall in funding. All indicated that they had plans for these reserves.

Delivering savings

14 Savings have come predominantly from reducing staff costs. Total full-time equivalent posts in fire and rescue authorities fell by 14% from 2010-11 to 2014-15. Reductions have been greatest in fire control and non-uniformed staff, but numbers of firefighters have also fallen. The sector has so far avoided compulsory redundancies of whole-time firefighters.

15 Fire and rescue authorities have not switched to use retained duty (ie part-time) firefighters to deliver savings. Overall numbers of retained firefighters have fallen across the sector, but at a slightly slower rate than whole-time firefighters. Almost all authorities saw a reduction in retained numbers. Authorities which had not traditionally used retained firefighters told us the model was not appropriate for their areas. Authorities who have used retained firefighters indicated it was getting more difficult to recruit and retain them.

16 There has been relatively little change in the number of fire stations. Authorities we spoke to said they were keen to maintain fire stations as this protected response times. A common theme, however, was the value placed by the public on fire stations. Authorities would often look for a range of options short of station closure as a result.

17 Fire and rescue authorities have sought to collaborate with other local service providers to deliver savings, but often this adds value to other sectors rather than addressing the sector's own financial challenges. As demand for emergency response falls authorities are keen to utilise the latent capacity in their operational resources in ways that provide benefit to the public sector as a whole, while allowing them to maintain a sufficiently robust level of fire cover. However, there is a lack of evidence to assess whether firefighters are the most appropriate to carry out these duties.

Financial and service sustainability

18 The sector has succeeded in absorbing funding reductions since 2010-11, though low-level signs of financial stress have begun to emerge in some authorities.

Overall, the picture to date is one of financial health: there have been no financial failures and the sector as a whole has increased 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.

19 Several authorities have reduced the number of firefighters they send to certain incidents, which will reduce costs but might potentially carry increased risks in some cases.

In general fire authorities have not changed emergency response standards as a result of budget cuts, but have sometimes changed the type of appliance that attends and the number of firefighters who crew it. Authorities said there were risks linked to the actions they had taken to deliver savings. For instance, changes to crewing arrangements for specialist equipment increases the time taken to mobilise these appliances.

20 Authorities have reduced their prevention and protection activities, but are not well placed to understand what impacts this may have on future incidents.

Audits and inspections fell by 30% from 2010-11 to 2014-15, and personnel hours spent of fire risk checks by 27%. Factors in addition to funding reductions, such as greater targeting, may also underlie some of these changes, however. Some authorities have expressed concern that a continued reduction in protection and prevention activities may lead to a future increase in incidents. However, there is a lack of detailed research on the contribution these activities have made to the decline in fires to date. As a result the sector is not in a strong position to understand whether the scaling back of these activities will have a pronounced impact in the longer term, or how big this impact might be.

21 Fires and casualties are declining long term, but within this positive picture there are emerging patterns that need to be analysed further.

Primary and secondary fires fell by 23% and 39% respectively between 2010-11 and 2014-15, with fatal casualties falling by 22% over the same period. There are also more authorities experiencing growth in the number of non-fatal casualties in fires and in the number of personnel injured. We found no correlation between these developments and levels of reduction in spend by individual authorities, and in some cases these changes may reflect year-on-year fluctuations in relatively small numbers of incidents. Nonetheless, these changes need further analysis.

22 Some fire authorities are concerned that their capacity to respond to major incidents could be compromised by further funding reductions. Fire authorities are risk-based organisations meaning their services are designed to provide resilience against major or multiple events, rather than to meet average demand. While average demand for their services has fallen, this does not mean that the risk of these types of events has declined. However, data from the Department indicates that the number of fires attended by 5 or more vehicles fell by 32% from 2010-11 to 2014-15. While this does not mean that fire authorities are not faced with the same peaks in demand, this may indicate that the frequency of these peaks is reducing. Further analysis of the Department's data would be required to confirm this, however.

Overview

23 Fire and rescue authorities have absorbed significant reductions to their funding since 2010-11. Although they have cut firefighter posts, reduced protection and inspection activities, and started to vary the number of firefighters who respond to incidents, the long-running downward trend in fire casualties has been maintained. Furthermore, the sector has achieved this without implementing in full the range of savings measures endorsed by the Department, although some authorities have suggested these measures are not always appropriate for them.

24 Within this picture, there are indications that some authorities are beginning to experience greater challenges in continuing to manage funding reductions. While the sector as a whole has coped well with funding cuts, there are emerging signs of potential financial stress at some authorities. In addition, though casualties have continued to go down overall, there are potential signs these improvements are slowing down in some areas. While we did not find a correlation between changes in casualty figures and funding reductions, these trends deserve further study.

25 Were funding reductions to continue in future years, the sector would be faced with twin challenges: to implement new cost-reduction measures, and to manage increased risks. While authorities have implemented some innovative service transformation projects to date, their challenge now will be to explore ways of reducing their own long-term costs, rather than primarily adding value to other sectors. Where cost reduction leads to further reductions in operational capacity, meanwhile, this may create risks: for example, to firefighter safety, the potential shrinking of the service as a whole, and the possibility of industrial action. It would be important for authorities to seek assurance that such risks were being successfully managed.