

National Audit Office: Emerging Findings

Financial sustainability of fire and rescue services: Local Government Report

Comments by Pete Murphy, Nottingham Business School.

1. Preamble

Contextual Note - there are a couple of big 'long term influences' that occurred prior to the period that this study investigates, that have undoubtedly influenced long term resource management in FRS. Their influence is, however, indirect and difficult to measure or demonstrate. They are presented for your information only, but you may wish to be conscious of them as you frame your presentations.

The first is that DCLG (though the then Government Offices in the Regions and directly through officials) actively started to encourage Local Authorities and FRA to prepare for austerity from 2008 onwards. One aspect of this was some authorities consciously started to re-prioritise services and consciously sought to build up resources/reserves in what was left of the 2007-2009 Spending Review Period as they anticipated future funding challenges.

The second is the growing realisation and anticipation within FRS that full implementation of service reconfigurations, following the introduction of Integrated Risk Management Planning, would require considerable resources and (if done properly) would require new buildings and appliances – they therefore started to build up resources in anticipation. In the event Integrated Risk Management Planning took longer than expected to implement (some held off hoping a new government in 2010 might do away with it), and the earlier reviews were far from comprehensive, hence again giving a boost to reserves. (Happy to explain this further if required)

2. Specific Comments on the slide pack

The comments will relate to the order and slide numbers and pages of the draft sent.

Slide 3 - page 5 Part 1 Key audit findings

In my view bullet 3 – should really be 'have not been able to offset' rather than 'have not offset'. A number of (mostly Conservative but others as well) Fire and Rescue Authorities and FRsS') put a lot of effort, and invested considerable resources (particularly between 2010-2013), in trying to increase income to offset funding reductions as they were encouraged to do by the new government – they couldn't achieve it because the opportunities were and are so limited. In fact some of them could (and should) be criticised for continuing to try and generate such income when it was obvious they were not likely to do it.

Slide 5 – page 7

The second bullet point under Council Tax needs redrafting as something is obviously missing

Slide 6 – page 8

The unjustified chasing of income (referred to above) could be mentioned here but it would now be difficult to demonstrate or retrospectively produce the evidence (changing slide 3 would in my view suffice).

This slide is where the two long term 'contextual' issues mentioned above are obviously most relevant as it deals with the use of reserves

Slide 7 – page 9

Bullet point 2 - On-call firefighters – a word of warning on retained firefighters – when (in his first speech) the then Fire Minister extolled the virtue of retained firefighters – this was partially because it echoed the Prime Minister's (then) priority for civil society engagement, the third sector and volunteering (the promotion of the Big Society), not public safety or effective service delivery.

This call for more reliance on retained firefighters was greeted with dismay (albeit concealed dismay) as it had less to do with objective reality and the fit for purpose of retained-based services rather than whole time services in the circumstances pertaining in England. Retained based services are most appropriate in more sparsely populated areas – and are not economic, efficient or effective in built up environments or semi-rural areas. The UK and particularly England is predominantly the latter and, (other than City states), ours is the third most densely populated country in the world. Switching to retained duty staff would be counter-productive in the majority of services and areas – you might like to consider adding the words 'and this has not proved practical or feasible in many areas'. (See also comment on slide 5 page 27 of Value for money report)

Bullet point 3 – this is slowly starting to happen – the known inefficiency and negative aspects of building new capital projects using PFI may also have been a factor.

Bullet point 4 – this is presented a little negatively and (see also comment slide 5 page 27 of Value for money report) I would wish to avoid the NAO sending slightly the wrong message – creating community benefits and adding value to other public sectors or services are generally a good thing and 'wicked' issues by definition require multi-agency responses. However, public authorities also have a fiduciary duty to spend public money on the things for which the money was taken from the public. They need to balance these activities appropriately. Perhaps instead of '...but often this adds value to other sectors...' you could say '...this has sometimes been more successful in adding value to other public sector partners...'”

Slide 9 – page 11

I suggest you delete 'we spoke to' from bullet 3

Slide 11 – page 13

Our research again corroborates these findings – but we would suggest that they are reluctant to close stations due to both anticipated public/political responses as well as actual public/political responses. Sometimes potential closures don't make it through initial decision making processes to being articulated as proposals – and this is evident if you listen to debates in FRS/FRA meetings and in my experience likely to be more evident in private meetings (and witnessed in private meetings I have attended)

Slide 12 – page 14

I agree with the substantive points about collaboration and integration but overall the interpretation of the poor record on mergers seems very generous (particularly in the light of the Audit Scotland study). FRAs have been encouraged to merge by Government/DCLG (who I agree, have been dilatory and don't handle financial, or for that matter non-financial issues such as 'governance,' very well). However some FRS are clearly too small, and economies of scale savings have been available for some time. There has been an individual and collective lack of leadership and will on this issue.

Slide 13 – page 15

I suggest the 4th bullet point should come as the third bullet point (after the change in scope) and should also refer to the long term increasing attendances at road traffic incidents.

I also think the current third bullet point, about the fall in prevention and protection activity, should come as the final bullet point, below the ‘emerging patterns that need to be analysed further’, as it is clearly one of those things that need further work on.

Slide 14 – page 16

First bullet point – could you consider sayinghave continued to grow.... Rather than ‘...have grown’ - because of the factors mentioned in the preamble above

The section on ‘other stress indicators’ may wish to acknowledge that current peer reviews and external auditors may not be as reliable or as robust as their precursors (because of system redesigns).

Slide 15 – page 17

One risk not mentioned here’ that should have been mentioned, is that fewer resources attending fire incidents (particularly immediate or first attendance at the fire scene), might lead to the service taking longer to put fires out or bringing them under control, and thus the severity and damage to property will be increased (in Nottingham a few months ago we had a factory fire that burnt for more than a week).

The country has also just experienced a prolonged and elongated downward period in the construction cycle – when the construction cycle picks up there is likely to be an impact – both in regulatory activity and in construction site incidents.

Slide 19 – page 21

The lift figures (under Special service incidents), may also be affected by the number of specialist private providers recently entering the market as well as the charges.

Slide 20 – page 22

Apologies if this is a bit of repetition with the above – but taking such a strong line on retained firefighters may be a bit of a ‘hostage to fortune’ for the Office.

The first paragraph also refers to anticipated adverse public opinion – as suggested above the reality supports referring to both actual and anticipated adverse public opinion.

In the second paragraph, where you refer to the possible impact of scaled back prevention and protection work, you might like to refer to a predominantly long term effect seen after the event – and I definitely agree that the implications need to be fully understood.

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Slide 3 – page 25.

Inputs activities and outcomes - Outcomes are vitally important, and often, correctly, the main focus of politicians. Managers however, need (if they are to achieve economy, efficiency and effectiveness in the delivery of public services, - whether output based or outcome based), to know and measure, monitor and manage, inputs, outputs and outcomes. All three, are needed for a full understanding of the impacts of funding reductions, (or investment decisions), and for the predictive modelling of future resource allocations and subsequent risk-based service configuration and deployment decisions. Politicians and DCLG officials, need to be aware, to acknowledge this need and facilitate meeting this organisation and systemic requirement

A systemic and sophisticated overview (rather than a partial and anecdotal awareness of some initiatives), is particularly important in a public service that relies extensively on inter-agency collaboration and response.

Slide 4 – page 26.

The pattern of funding described (slightly less than Local Government reductions but reducing funding more for those FRA who represent areas with the highest level of need) reflects our own findings, follows the general trends in the overall LG finance settlements (of which this is one block). We would also agree with the fear that following 2013-14, the pattern of funding to need is likely to get further diverge.

Slide 5 – page 27

Transformation Fund - is there a systematic process for evaluating impact or the return on the governments investment (whether financial return on investment, or social return on investment), Are they capturing good practice and disseminating both good practice and lessons learned to the sector as a whole?

Adding value to other sectors rather than reducing long-term costs of FRS. It would be good to avoid sending the wrong message here – creating community benefits are a good thing and ‘wicked’ issues require multi agency responses but public authorities also have a fiduciary duty to spend public money on the things for which the money was taken from the public. Currently worded this comes across less nuanced and more of a dichotomy than you might wish – the issue is effectively also mentioned three times thus adding to the weight of the point (I would question whether it justifies this muchweight?).

I would however wish you to keep the point that **DCLG were told about this in the Knight Report** (and have not looked at or understood either of the two aspects identified i.e. as a way of using latent capacity in the services or as a way of widening the service’s scope/role. However, I think it should also be acknowledged/mentioned that in relation to the latter issue the DCLG has

consistently encouraged FRS to be more entrepreneurial and look to diversify their offer – particularly commercially.

On-call firefighters – a word of warning on retained firefighters – when (in his first speech) the then Fire Minister Bob Neill, extolled the virtue of retained firefighters – this was partially because it echoed the Prime Minister’s (then) priority for civil society engagement, the third sector and volunteering (the Big Society agenda), not public safety or effective service delivery.

This was greeted with dismay (albeit concealed dismay) as it had less to do with objective reality and the fit for purpose of retained-based services rather than whole time services in the circumstances pertaining in England. Retained based services are most appropriate in more sparsely populated areas – and are not economic, efficient or effective in built up environments. The UK and particularly England is predominantly the latter. Knight was definitely economical with the truth and very narrow and selective in his analysis on this issue (no doubt influenced by the department wanting to support the big society line coming from No10). I would be reluctant to use Knight views to ‘pray in aid’ on this particular point. (My apologies for being repetitious on this with the Local government report above)

Slide 6 – page 28

Assurance on financial stability – the previous Use of Resources regimes were better at assessing financial and wider sustainability (in the short and longer term) than the current provisions (Local Audit and Accountability Act). Even the current provisions are not being used, or developed, as they could be for example the current Statements of Assurance. The current focus on annual accounts and data monitoring lacks (or does not encourage) the holistic approach to short and long term organisational risk required of public services.

Assurance of national resilience – I agree that national and local resilience, in terms of planning and response, could be better (as the current slide suggests) but the real inadequacy highlighted by recent widespread flooding emergencies in the south west and elsewhere – was regional and sub-regional co-ordination, knowledge on the ground and communication with central control. This led to the Prime Minister and other ministers announcing inaccurate or inappropriate policy/information to press/public. This has been a consistent recurring point made by the three blue light servicers involved in these widespread emergencies and by other category 1 responders.

Slide 7 – page 29

Local assurance arrangements – I agree with points made (which is corroborated in some of our research – the latest of which is yet to be published but clearly confirms your findings on peer review rigour and data). The points currently come across as a bit service and organisational centric – the service needs to provide local assurance individually but it also should be providing collective local assurance on service and community resilience with other emergency services and delivery partners.

Slide 8 – page 30

Potential Areas for Recommendations

These give the impression, and may encourage, a series of one-off projects or analysis rather than looking for the more fundamental, long-term and systemic improvements, that in my opinion are urgently needed.

You may also wish to consider recommendations about collective actions for the emergency service community (and for the DCLG to take collectively with Cabinet Office, Home Office and Department of Health), as well as when sector specific recommendations are appropriate.

Some bullet points cover more than one issue you might consider unbundling some of them for clarity and impact.

Ends

Pete Murphy

21 October 2015.