

Item Number	Item 2 – Paper 1
Title of Paper	Resources: Proposed Fire Standard for Financial Activities
Decision or Information	For decision
Date of Meeting	11 <sup>th</sup> September 2023
Presented by	Chair
Attachments	Appendix A – Extract from National Fire Framework 2018

## Summary

This paper summarises the activity to date on a proposed Fire Standard for financial activities included in the agreed activity framework as one of the group of Resources Fire Standards.

In response to the actions agreed at the July Board meeting, this paper includes a revised scope and rationale for this area of activity. These draws on feedback received both from Board members and via the peer review process which was carried out between April and June 2023.

## Recommendations and decisions required

The Board is asked to:

- Consider the content of the paper; and
- Confirm whether work or not on a Fire Standard on financial activities should proceed and, if so, what that standard should cover or agree alternative actions with regards to how financial activities should be covered in the standards published or in development.

## Background Information

In March 2023 the Board agreed that work on the remaining areas of activity on its Activity Framework should commence. These areas were included in the “Resources” category of the framework as they are all activities or functions which provide resources to a fire and rescue service and, without which, it cannot perform its core functions.

The areas of activity within this phase of development were identified as having potential connection and overlap. Therefore, it was proposed and agreed by the Board that development work on them should take place in parallel to avoid duplication and help with the drafting process.

The original activities included:

- Finance and Assurance
- Procurement
- Asset Management

Whilst an NFCC Lead was identified for all areas apart from Assurance (no NFCC Lead is currently in place for this specific topic), it was felt there was appropriate support from the three other leads to inform and support development of a Fire Standard for Assurance if one was deemed necessary.

An initial scope and rationale document was shared with the Board. This was informed by early engagement with the NFCC Leads, subject matter experts from services and stakeholders as part of the discovery phase of development work.

However, in discussion with the Board at its meeting in March 2023, it was made clear that, as has been experienced before, once drafting work starts this often can affect the views about what was originally conceived as feasible and useful. In addition, discussions with the services can often expose other areas of activity for consideration or can influence the title and content of draft Fire Standards. The Board agreed the drafting process should commence.

Work to create initial drafts was initiated in April 2023 which included discussions with the NFCC Leads and working groups made up of service representatives. Those attending the working groups were from a range of services from across the country in line with our development process. Those representatives either had responsibility for these activities within their service, or believed they had relevant subject matter expertise and could contribute.

In discussion with the NFCC Lead for Finance, concerns were raised about combining Assurance with Finance. It was agreed that Finance should be treated as a separate area of activity.

The results of this work and further input from services led to draft Fire Standards being prepared covering the following areas:

- Asset Management (including estates, vehicles, equipment, and digital)
- Internal Governance and Assurance (a new area identified through feedback from services which appeared to align with assurance activities)
- Procurement and Commercial Activity
- Finance (Financial Management and Planning was the working title)

These drafts were circulated with peer reviewers and key stakeholders. Feedback at this point led to some challenges being made about the need for and purpose of a Finance Fire Standard.

Specifically, concerns were raised through the Home Office from the Fire Finance Policy Officer and the NFCC Finance Lead.

It was therefore proposed a discussion should take place at the July Board meeting to agree on the best way forward. The NFCC Lead and Home Officer Policy Officer were invited to attend, but unfortunately could not. The Board discussed the matter and reviewed the drafts provided in their absence.

The Board decided that the scope of this draft Fire Standard should be reviewed and that an additional meeting should be arranged for September for that purpose to which the NFCC Leads and Home Office Policy Officer would be invited. This meeting would allow the Board to hear directly about the concerns and the potential risks they see of creating this Fire Standard.

## **Rationale for the Fire Standard**

Since the earliest inspection findings in 2018, HMICFRS have highlighted issues relating to financial practices within services. These include:

- Poor medium and long-term financial planning including capital spending plans not linked to CRMP or service plans.
- Concerns about how services manage their reserves.
- Historic lack of investment in technology assets, hampering effectiveness and efficiency within services. The issue of hampered communications has been a common theme highlighted following multiple major incident reviews including the Grenfell Tower incident, the inadequate means to communicate between the incident ground and fire control, and between commanders and with other agencies as specific examples.

Listed below is a revised list of rationale. Potentially a standard covering financial practices may go some way to address or drive improvements in these areas and be of value to services:

- Poor selection of goods based on initial low cost, but with subsequent unseen or higher overall costs.
- Not accounting for whole life costs of a product or service.
- Wastage and loss on equipment if not well managed.
- Current assets not meeting diverse workforce needs due to old equipment.
- Potentially putting the safety of staff and others at risk due to old and ill-maintained kit and equipment, vehicles, and buildings (potential accidents and general Health and Safety concerns).
- Many paper-based systems still in use - not maximising advantages and efficiencies of digital systems.
- Old and ageing estates – increased maintenance costs, poor technical capabilities, not sustainable and/or environmentally friendly.

- Facilities not appropriate for today’s workforce (diversity challenges and equality of access to facilities).
- Not exploring and exploiting potential funding opportunities to help address environmental requirements and targets.

Whilst the link between the above issues and financial practices may not be explicit, good financial practices (linked to the other important practices such as asset management and procurement) would result in a better return on investment; more sustainable and efficient operations; improved financial outcomes for services; and providing value for money to the public.

Finally, the renewed drive from Government for services to focus on productivity and efficiency is closely aligned to improved financial practices.

Following a discussion with HMICFRS, the argument was made by them to the FSB Chairs as to why you would not have a Fire Standard relating to financial practices within fire and rescue services.

With this collective rationale, it feels pertinent to consider what a Fire Standard relating to financial practices might contain and how it could support longer term improvements in this vital area of activity for services.

## Scope

### Initial Scope

The initial scope for the Resources areas of activity is summarised in the table below. The activities were grouped as indicated in the table which directed the initial drafting work.

Fire Standards - Working Titles		
Financial Planning	Asset Management	Commercial and Procurement
<ul style="list-style-type: none"> <li>• Financial management and planning</li> <li>• Managing reserves and contingency planning</li> <li>• Budgeting to new and emerging risks and challenges</li> </ul>	<ul style="list-style-type: none"> <li>• Fleet management</li> <li>• Estates and asset management</li> <li>• IT and Digital assets procurement and management</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement and purchasing</li> <li>• Contract management</li> <li>• Commercial activities               <ul style="list-style-type: none"> <li>• Trading arms and income generation</li> </ul> </li> </ul>

However, as the drafting phase began, and based on feedback from the services, the approach evolved. Initially drafts for the following were produced and circulated to peer reviewers:

- Financial Management and Procurement
- Asset Management
- Internal Governance and Assurance

From the peer review feedback, it was concluded that procurement and finance should be separate.

## **Proposed Revised Scope for Financial Planning and Management**

As with all Fire Standards, the Board seeks to link to, or reference, any existing and recognised national standards where relevant.

### **Out of Scope**

Any Fire Standard related to financial activities or practices in fire and rescue services is NOT about:

- the credentials, personal standards or qualifications which apply to those who lead or work in finance functions; and
- the regulations and accepted professional guidance, expectations or requirements outlined in the National Fire Framework, CIPFA or other guidance for local authorities or Fire Authorities.

### **In Scope**

Following the early drafting work and peer review process, below is a revised and expanded scope for a potential Finance Fire Standard aligned to the original headings for scope:

#### **Financial management and planning (strategic)**

- Strategic approach to managing finance and budgets aligned to the vision and resourcing requirements of the service to deliver value for money for the public.
- Financial planning and budgeting, (medium term, capital programme and efficiency) in line with the requirements identified through its CRMP and the local risk profile.
- Appropriate capacity and capability to manage the finances of the services to ensure it operates efficiently and effectively.
- Maximising opportunities to, or benefitting from, collaboration, shared services, or central resources.

#### **Managing reserves and contingency planning**

- Planning and managing reserves proportionately.

- Forecasting and scenario planning
- Making sure staff costs including staff salary increases and pension cost are calculated, provisioned for and managed correctly and effectively.
- Internal and external audits.
- Monitoring the financial performance of the service

### **Budgeting to new and emerging risks and challenges**

- Responding to issues and enabling the service to respond to new and emerging risks.
- Ensure senior managers with budget responsibility (but not finance professionals) have the appropriate training and support to enable them to carry out their budget management role effectively to contribute to the efficient running of the service.
- Sharing positive practice and activity engaging with other services and nationally through the NFCC.

## **Conclusions**

It is hoped this summary of activity to date, and revised scope provides a useful foundation for a discussion during the meeting enabling a decision about the future of this work.

The Board is asked to:

- Consider the content of the paper; and
- Confirm whether work or not on a Fire Standard on financial activities should proceed and, if so, what that standard should cover or agree alternative actions with regards to how financial activities should be covered in the Standards published or in development.

Below are extracts from the current [National Fire Framework \(2018\)](#) which is widely accepted as needing review.

It is acknowledged that the work of the FSB over the past four years, and the production of the suite of Fire Standards, may now have implications for the next version of the National Fire Framework as many of the expectations and requirements in the current version have been incorporated into Fire Standards developed to date.

There is the potential that some concerns being raised about duplication and potential confusion and the need for a Fire Standard for financial matters, may be understandably influenced by the current version of the National Fire Framework.

For reference, below are extracts from the current National Fire Framework relating to expectations and requirements for managing finance within services:

- 5.3 Combined and Metropolitan Fire and Rescue Authorities should produce and publish a medium-term financial plan, efficiency plan, and a reserves strategy. The efficiency plan and reserves strategy can form part of the medium-term financial plan and do not need to be separate documents.
- 5.4 The medium-term financial plan should include funding and spending plans for revenue and capital. The plan should take into account multiple years, the interdependencies of revenue budgets and capital investments, the role of reserves, and the consideration of risks. It should have regard to affordability and also to CIPFA's Prudential Code for Capital Finance in Local Authorities. The strategy should be aligned with the fire and rescue authority's Integrated Risk Management Plan and – if appropriate – the Fire and Rescue Plan.