

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY 18 JUNE 2018 AT 2.00PM**

Agenda Item No.

12

THE POTENTIAL TRANSFER OF HERTFORDSHIRE FIRE & RESCUE SERVICE FROM HERTFORDSHIRE COUNTY COUNCIL TO THE POLICE & CRIME COMMISSIONER – CONSIDERATION OF LOCAL BUSINESS CASE ADDENDUM

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1. Purpose of report

- 1.1. To provide Cabinet with the material to help inform their consideration of, and the County Council's potential response to, the Hertfordshire Police and Crime Commissioner's (PCC) recently submitted local business case addendum (the "addendum"). The addendum supplements the PCC's proposal made last summer to transfer the governance of Hertfordshire Fire and Rescue Service (HFRS) from Hertfordshire County Council to the PCC.

2. Summary

- 2.1. The Hertfordshire PCC submitted a 'Local Business Case' (LBC) to the Home Office in August 2017 that proposed that the PCC should become the Fire and Rescue Authority for Hertfordshire. This submission followed a public consultation during which Cabinet, drawing on the unanimous position of all 78 County Councillors, made clear its strong objection to this proposal.
- 2.2. The Home Office subsequently commissioned CIPFA¹ to perform an independent analysis of the LBC. Whilst the Council has not been given sight of CIPFA's analysis, the Minister of State for Policing and the Fire Service wrote to the Hertfordshire PCC in mid-April seeking further information, including greater clarity on the savings proposed in the LBC, in order to make a proper assessment of the proposal. The Minister also wrote to the Leader of the Council asking the Council to work with the PCC and provide appropriate information as requested by the PCC.
- 2.3. The PCC submitted an addendum to the LBC to the Policing and Fire Minister on 8 June. It is not yet clear what process the Home Office may follow to consider the information provided in the addendum. The Minister's letter to the

¹ The Chartered Institute of Public Finance & Accountancy

PCC indicated that the Minister would take a view on the potential need for further independent assessment on receipt of the revised proposal.

- 2.4. **Summary of Addendum:** The addendum, which is attached as Appendix A to this Report, provides further information about the forecast savings included in the LBC, including the first indication of the potential assets that may be sold as part of the consolidation of the combined Police and Fire operational estate that would be necessary to deliver the savings in the LBC.
- 2.5. These include the closure of the two separate fire stations in Welwyn Garden City and Hatfield and their replacement with a new fire station on the Police HQ site in Welwyn Garden City.
- 2.6. **Summary of Council Officers' Analysis:** County Council officers have reviewed the information included in the addendum. This analysis suggests:
 - 2.6.1. **Meeting the Minister's tests re demonstrating economy, efficiency and effectiveness:** some additional information is included in the addendum, but it retains the same underlying principle used in the original LBC that claims a material saving in back office support costs could be achieved by reference to a KPMG supplied benchmark figure. As with the LBC, Council officers do not agree that this is a legitimate comparable benchmark as it appears to be composed of different core elements of corporate services. There is no evidence provided to indicate if savings of this scale are deliverable by the Office of the PCC. Estimates of potential net capital receipts from estates consolidation remain high level and subject to significant further validation;
 - 2.6.2. **Legitimacy of the basis for proposed estates consolidation:** To provide more detail behind the proposed capital receipts included in the LBC as a proposed benefit from estates consolidation, several sites are listed in the addendum as potential sites that could generate these savings. However, there is no reference to the need to assess such sites from an operational risk perspective. The addendum recognises that the lack of clarity over future governance has delayed work on refreshing the Integrated Risk Management Plan (IRMP) for HFRS. It is not clear how the PCC has concluded that the assets listed in the addendum are suitable operationally for such changes without assessing them through the lens of a refreshed IRMP.
 - 2.6.3. **Complexity, cost and ongoing uncertainty:** The minister's letter acknowledges that the extraction of a fire and rescue service from a county council is complex. Council officers have reviewed and increased their estimate of the cost and officer time that would be incurred if governance were to transfer to £1.3m, principally due to the potential change in systems. As there is no transition plan, these figures remain uncertain. The ongoing problems caused by the extended period of uncertainty are also challenging.

As well as transition costs, the County Council is likely to face on-going costs from the transfer. The Business Case assumes that the PCC can save £130k per year through using the fire service discretionary capacity, and that the safe

and well visits currently undertaken would be covered by volunteers. It is not considered realistic that the current level could simply be provided by volunteers. If the Council used third parties to cover the current level of safe and well visits, officers estimate that it would cost in excess of an extra £350k per year.

- 2.6.4. **Potential to achieve benefits without the cost and complexity of governance change:** It remains the case that should concerns about the deliverability and legitimacy of the benefits proposed, or the cost and complexity of securing governance change mean that the proposals are not approved, the Council remains committed to identifying and delivering additional ways to build on the collaboration already achieved with the police in Hertfordshire.

3. Recommendations

- 3.1 That Cabinet considers and comments upon this report and identifies any additional considerations or matters that it wishes to be emphasised in the County Council's submission to the Home Office regarding the PCC's LBC addendum;

- 3.2 That Cabinet:

- (i) Agrees that the County Council should not change the previously stated position of the Council in opposing the PCC's Local Business Case; and
- (ii) Delegates to the Director of Resources, in consultation with the Leader of the Council and the Executive Member for Community Safety and Waste Management, authority to finalise a submission to the Home Office in response to the addendum.

4. Meeting the Minister's tests re demonstrating economy, efficiency and effectiveness

Claimed Savings from Back Office Services

- 4.1. The Council's response to the LBC last summer highlighted the claimed savings are mainly high-level estimates, with little detail on how they would be achieved. The addendum does nothing to review or revisit the existing approach or methodology used to estimate these savings, it simply replicates these with more up to date data.
- 4.2. As a result these fundamental inaccuracies remain. Critically the benchmarking approach is fundamentally flawed in that it fails to include all the back-office services utilised by HFRS. The addendum suggests an average benchmark of £2.045m for the cost of HR, finance and IT services, which would represent a saving of £0.679m against the cost of the existing provision. However, in

addition to HR, Finance and IT services, the Council's cost also includes charges for services such as insurance, legal, property management and related fees, internal audit and communications.

- 4.3. By omitting these services from the benchmark comparison, it is not surprising that the cost appears lower.
- 4.4. Even if the basis was comparable, these savings remain theoretical and there is no assessment of whether such aspirational "top quartile" performance would be achievable as a small organisation. Indeed in other back office areas it is clear that the PCC's proposed benchmark costs are higher. Savings are also included for pensions administration. Currently police administration costs £33.75 per member, whereas fire costs £19.38 per member. The business case assumes that transferring fire will enable police administration costs to be reduced.
- 4.5. There is also no recognition of whether, and if so by how much, the Council may be able to reduce its back-office costs should HFRS be removed from the County Council. It is not certain that the Council could reduce these costs at a pro-rata level which could easily result in Hertfordshire residents in effect double paying if the PCC procures these services elsewhere, but the Council's costs do not fall by as much as the funding that is transferred.

Claimed Capital Receipts from Estates Consolidation

- 4.6. The addendum includes estimates of potential build/merge costs and forecast capital receipts from the four assets initially identified in the addendum as being suitable for consolidation. The addendum recognises that the forecast receipts are high level assessments that require further validation, but there is no evidence provided to justify these valuations.
- 4.7. None of the proposed estate changes require governance change to achieve them and the high level analysis and assumptions do not recognise the extensive work already undertaken to assess the potential for change. For example, Council officers have assessed over 30 potential sites for a new fire station to serve Hertford and have not yet identified a suitable location. Without more detailed analysis it is therefore not clear whether a net capital receipt of £2m from a disposal and re-provision of the existing Hertford fire station is realistic or achievable.

5. Legitimacy of the basis for proposed estates consolidation and links to the Integrated Risk Management Plan

- 5.1. The Fire and Rescue National Framework (2018) requires each fire and rescue authority to produce an Integrated Risk Management Plan (IRMP) which reflects the foreseeable fire and rescue related risks that could affect their respective local area. The fire authority must then demonstrate how prevention, protection and response activities will be used to mitigate those risks.

- 5.2. The current IRMP (2014-2018) for Hertfordshire will need to be refreshed by March 2019. Whilst preparatory work to inform a new IRMP has been undertaken, the prolonged uncertainty caused by the ongoing consideration of potentially significant governance change has hampered the progression of this work.
- 5.3. The production of a new Hertfordshire IRMP requires extensive risk profiling and research work to provide a comprehensive understanding of the key risks facing Hertfordshire in not only the 4 year timeframe of a single IRMP, but over the course of the next 30 years. By necessity this includes assessment of developing strategic transport and infrastructure plans, proposed housing growth and the demographic challenges posed by a growing and an ageing population.
- 5.4. It is only by considering these strategic drivers that options for the potential location and configuration of operational sites, property assets, people and working practices can be identified and assessed, to ensure they can deliver the priorities identified by the IRMP.
- 5.5. The Addendum proposes changes to specific operational HFRS assets without any indication of whether such changes may be consistent with whatever the refreshed IRMP may require.
- 5.6. The 'Rationalisation of estate savings' section of the LBC Addendum states:
*'...that a joint estates strategy would increase the number of co-occupied police and fire 'Community Safety Hubs', whilst reducing the overall size of the estate. This would raise capital receipts to invest in the development and modernisation of the estate. This could also have the benefit of improving working conditions and provide the opportunity to make community facilities available. Maintenance costs are also expected to reduce as a result of the reduced estate size.'*²

However, any potential rationalisation of the HFRS estate and operational assets can only be done in conjunction with the analysis that will form part of a revised IRMP and it is therefore not appropriate to only consider tactical opportunities for potential financial savings due to the potential proximity of current Police and Fire properties.

- 5.7. The Addendum also omits any proper consideration of the East of England Ambulance Service (EEAS) as part of this broader public service delivery. The current widespread occupation of the EEAS across the HFRS property estate is intrinsic to any decisions relating to the estate.
- 5.8. The Policing and Fire Minister's letter to the PCC made clear it was for the PCC to determine, according to legislative requirements, whether any re-consultation on his revised proposals would be needed. In the covering letter to the addendum, the PCC states that:

² Addendum paragraph 2.2

5.9. *‘...the intent and nature of the proposal has not changed and so I do not consider further consultation to be necessary.’*

5.10. In the addendum, with regard to the proposed consolidation of Welwyn Garden City and Hatfield fire stations into a single new station, it recognises that:

‘...The local community would need to be factored into the decisions to operate in a single collocated estate.’

5.11. In addition to needing to consider operational risk through the IRMP process, it is concerning that no public engagement or consultation on such a significant change is considered necessary in advance of a decision on the business case and its addendum.

6. Commitment to continued collaboration

6.1. As with the LBC last Summer, the Council remains committed to working closely with the PCC and the Hertfordshire police to pursue additional opportunities for collaboration without changing the governance of the fire service.

6.2. Building on the extensive collaboration that already exists, the areas set out in the council’s previous responses to the PCC’s proposals remain potential areas for further joint working. The established police and fire collaboration working group is continuing to look at a number of workstreams including:

- a joint estate strategy, informed by the requisite Integrated Risk Management Plan and local engagement;
- rationalising emergency response to a range of call types such as concern for welfare of persons;
- effecting entry into premises
- attendance at suspected cannabis factories;
- use of specialist capabilities such as water rescue, drone and working at height; and
- revised joint protocols for the investigation of fires.

7. Equalities Implications

7.1 When considering proposals placed before Members it is important that they are fully aware of, and have themselves rigorously considered the Equality implications of the decision that they are making.

7.2 Rigorous consideration will ensure that there is a proper appreciation of any potential impact of that decision on the county council’s statutory obligations under the Public Sector Equality Duty. As a minimum this requires decision makers to read and carefully consider the content of any Equality Impact Assessment (EqIA) produced by officers.

- 7.3 The Equality Act 2010 requires the county council when exercising its functions to have due regard to the need to: (a) eliminate discrimination, harassment, victimisation and other conduct prohibited under the Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The protected characteristics under the Equality Act 2010 are age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief, sex and sexual orientation.
- 7.4 No Equalities Impact Assessment (EqIA) was undertaken in relation to this matter as decisions have not yet been taken in relation to a change in governance for HFRS. However, any future decision will require significant stakeholder engagement and a full EqIA process.

Background Documents

[Cabinet Documents 15 July 2017](#)

Local Business Case for Change of Governance of Hertfordshire Fire & Rescue Service to the Police & Crime Commissioner

<http://www.hertscommissioner.org/fluidcms/files/files/Hertfordshire-PCC-Fire-Governance-Local-Business-Case%281%29.pdf>