



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

Submission to the Home Office

08/06/2018

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## Version history

Version	Date issued	Brief Summary of Change	Owner's Name
Version 1.0	24/05/2018	First draft	PCC David Lloyd
Version 2.0	29/05/2018	Second draft	PCC David Lloyd
Version 3.0	30/05/2018	Third draft	PCC David Lloyd
Version 4.0	01/06/2018	Fourth draft	PCC David Lloyd
Version 5.0	01/06/2018	Fifth draft	PCC David Lloyd
Version 6.0	07/06/2018	Sixth draft	PCC David Lloyd
Version 7.0	08/06/2018	Final	PCC David Lloyd

## Contents

1	Executive Summary .....	4
1.1	Background and context .....	4
1.2	Objectives of the addendum .....	5
1.3	Summary of updates to the business case .....	5
1.4	Basis of Information used to develop the Local Business Case.....	7
1.5	Comparison of approach to other Fire Governance Business Cases.....	8
2	Updates to the anticipated costs and benefits of the Governance Model .....	11
2.1	Updated costs and benefits of the Governance Model .....	11
2.2	Updated savings realised.....	14
2.3	Updated transition costs .....	17
3	Updates to impact forecast projections.....	18
3.1	Updated 3 year projections.....	19
3.2	Updated funding requirement .....	20
3.3	Updated precept calculation .....	20
3.4	Updated assets and liabilities position.....	21
3.5	Estimation of reserves .....	22
3.6	Estimation of debt.....	22
4	Conclusion .....	24
5	Appendices .....	25
5.1	Map of Police and Fire Sites .....	25

# 1 Executive Summary

## 1.1 Background and context

The Policing and Crime Act 2017 places a statutory obligation on emergency services to collaborate and enables Police and Crime Commissioners (PCC's) to take on responsibilities for fire and rescue services in their area, where there is a strong local case to do so.

The Hertfordshire PCC developed a Local Business Case to evaluate four potential governance models for Hertfordshire Fire and Rescue Service (HFRS). This business case assesses whether a change in governance would enhance opportunities for joint working, assessing against four Critical Success Factors (CSFs):

- Public Safety – The change makes Hertfordshire safer, stronger and more resilient.
- Economy – The change optimises public value (i.e. services at a lower cost).
- Efficiency – The change produces increased services/benefits.
- Effectiveness – The change improves the services provided to local people and communities.

The Local Business Case recommends that the PCC should take on the role of the Fire and Rescue Authority (**Option 3 – the Governance Model**), becoming directly accountable to the people of Hertfordshire for effective service delivery for both Police and Fire services.

The option enables opportunities to accelerate the pace of existing or planned police and fire collaboration through faster and streamlined governance, simplified decision making and good risk management processes. This recommended option also allows neutrality of the Fire and Rescue brand to be retained and still allows for flexibility in operation under a shared governance. The detailed analysis in the Local Business Case has therefore been focused supporting this recommended option.

The Hertfordshire PCC submitted this Local Business Case to the Home Office in August 2017, together with a letter to the Home Secretary, inviting a response to the proposal to take on the governance of HFRS.

In a letter to the Hertfordshire PCC in April 2018, the Home Office requested additional information and an update to the Local Business Case. The specific areas of additional information required were:

- Clarity on the savings realised as a result of the transfer
- More detail required on the anticipated funding requirements
- Clarity required on the current precept calculation
- Further clarity required on the full picture of transition costs
- Need to identify the full list of assets and liabilities transferring across
- Further clarity required on the current reserves position

The Hertfordshire PCC has engaged with key stakeholders from Hertfordshire County Council (HCC) as well as the Home Office better to understand the additional information required and gather the relevant information to update the Local Business Case. This addendum provides information that HCC was unable to supply at the time of preparing the Local Business Case in 2017.

Similar business cases involving a change in governance of the Fire and Rescue Services and

which have already been approved by the Secretary of State, have been reviewed to understand the additional level of information and evidence that may provide further support to the Hertfordshire PCC Local Business Case. This review demonstrated that the comparator business cases presented a high level financial view of the costs and benefits and only some comparator business cases proceeded further to quantify the opportunities identified at the level of detail included in the Hertfordshire Fire and Rescue Services Local Business Case.

This addendum continues to detail and support the arguments presented in the original Local Business Case; however, the impact of the delay of approval of the Local Business Case has resulted in:

- a lack of progress in development of the IRMP (Integrated Risk Management Plan) for the year;
- A new substantive Chief Fire Officer is yet to be appointed;
- A lack of investment in and the refurbishment of the fire stations and ICT of HFRS.

All of which has an impact on the Fire and Rescue Service's ability to deliver high quality services that meet the needs of the Hertfordshire community.

This addendum extends the substantiation of the arguments originally presented in the Local Business Case and should be read together with the original Local Business Case presented and not in place of it.

## 1.2 Objectives of the addendum

The arguments presented in the Local Business Case recommending that the PCC should take on the role of the Fire and Rescue Authority (**Option 3 – the Governance Model**) continue to hold true and be valid.

The purpose of this addendum is to provide additional factual information requested by the Home Office to enable the Home Secretary to make an informed decision on the Local Business Case with the latest available information.

This addendum provides relevant updates to the arguments presented in the Local Business Case given the time elapsed since it was initially published and the latest available information. It assumes a governance transfer date of 1st April 2019, whereas the Local Business Case submitted last August assumed a date of 1st April 2018. It also provides further detail to the relevant areas within the Local Business Case in response to the request from the Home Office.

To ensure continuity and alignment to the Local Business Case, a similar structure has been maintained for this addendum where applicable, in order to present the factual updates in the areas requested, supported by summaries of the key changes.

## 1.3 Summary of updates to the business case

The Local Business Case has been updated using 2017/18 actuals for income and expenditure as well as the latest forecasted estimates and inputs both of which have been provided by HCC to validate and refresh the financials.

The updated financial estimates continue to support the arguments presented in the Local Business Case for the PCC to take on the role of the Fire and Rescue Authority (**Option 3 – the Governance Model**). It provides enhanced, transparent and effective governance under a directly elected Police, Fire and Crime Commissioner who can deliver significant and tangible benefits for the people of Hertfordshire:

- The public safety benefit continues to be justified by the core arguments presented in the Local Business Case. The recommended Governance Model option increases structural alignment between the two organisations, which is likely to lead to **increased operational collaboration** and an **increase in public safety**.
- Through better intelligence and information sharing, both organisations can gain a deeper level of understanding of vulnerabilities, risk and threats, and ultimately improve decision making.

The addendum further extends the substantiation to inform the other three success factors namely Economy, Efficiency and Effectiveness that continue to justify transfer of HFRS governance to PCC.

- The co-located estates provide the opportunity to combine the police and fire resources and enable better coordination and the streamlining of decision-making across the emergency services.
- Through the coordinated management of the police and fire estate, opportunities to release capital tied up in the estate, address neglect of the fire estate and provide an opportunity to modernise it could be realised. It will create opportunities for better capital investment, the development of community assets, financial savings and innovation through shared police and fire estates. Net capital receipts of **£9.0m to £16.6m** are anticipated from the implementation of a joint capital strategy.
- A change in governance would provide the necessary step change to drive forward these opportunities in a strategic, more formalised and controlled way. The governance change generates impetus and creates the structural framework to drive change forward. Whilst many of the collaboration opportunities outlined could technically be delivered through current governance arrangements, the opportunities have not progressed sufficiently to date and it is unlikely that they will be fully delivered in future under the current arrangements. HCC have demonstrated that integration with their existing operations will remain a priority limiting their ability to maximise the benefits of bluelight integration.
- The better use of the estate in both organisations will also allow for provision of effective response and community engagement and enable opportunities to deliver improved co-response to emergency incidents.
- The provision of emergency services could be done more economically through rationalisation and streamlining of the back office and corporate support activities. There is flexibility to determine the most economic arrangement with regard to back office and corporate support (such as vehicle maintenance and equipment procurement). It is recognised that the HFRS back office is closely integrated with HCC's wider operations. The governance model does not prevent a continuation of these arrangements.
- Opportunities to drive efficiencies from finance, HR, procurement and other back office functions have been expected to achieve at least **£5.0m** to an extended **£11.2m** over the 10 year period to 2028/29
- Benefits relating to coordinated vehicle maintenance, equipment and other support services for HFRS and police continue to hold true and are cautiously estimated to be a minimum of **£2.0m** rising to **£5.0m** over the 10 year period to 2028/29. Conservative

savings estimate ranges have been applied given the limited spend, tendering and contract information available at this point in time.

- The Governance model is expected to realise overall benefits (net present value) of at least **£15.3m** with an expectation of **£33.3m** over a ten year period. The indicative annualised revenue savings is estimated to be at least **£1.8m** with an expectation of **£4.2m** per year if all opportunities are pursued.

The table below highlights that the financial benefits estimated as part of the Local Business Case continue to hold true after updates with the latest information from HCC.

Summary Indicators	Local Business Case		Addendum Update	
	Base Case	Stretch Case	Base Case	Stretch Case
Indicative annualised revenue	£1.3m	£4.3m	£1.8m	£4.2m
Net capital receipts	£3.9m	£12.5m	£9.0m	£16.6m
Net Present Value (over 10 years)	£10.2m	£28.7m	£15.3m	£33.3m

The changes to these updated net benefits are mainly driven by updates to the potential sites where collaborative opportunities could be realised and indicative market realisable estimates have been included. Four sites have been identified where rapid progress could be made towards realising the estate benefits and are expected to achieve around £9.0m net capital receipts.

Transition costs estimates have increased by £690k based on the latest information from HCC, primarily driven by anticipated ICT related expenditure.

Additional back office savings of £1.5m have been estimated due to the increased expenditure actuals compared to the budgeted amounts for 2017/18 both of which have been sourced from HCC.

#### 1.4 Basis of Information used to develop the Local Business Case

The Local Business Case has identified specific opportunities associated with the transfer of governance of HFRS and the associated savings arising from these have been quantified and supported. A systematic approach has been adopted to quantify these savings depending on the relevance, detail and timeliness of information available.

- PCC and HCC information has been utilised as a baseline where available and other independent assessments have been referenced as part of the analysis. An example is the consideration of the total PCC and HFRS estate portfolio and use of an independent peer review assessment to form a view of the condition of the estates.
- The risks due to the lack of information or availability of independent assessments have been highlighted and clarity has been provided on the areas that will need further detailed analysis once the business case is approved.
- Base and stretch case scenarios have been highlighted providing a range of the savings estimate that will be further refined through detailed analysis and negotiations for each of the opportunities.
- Industry benchmarks have been used to form estimates of the savings in some cases where information could not be separated out. This was the case in estimating back office costs where HFRS functions were deeply embedded within HCC.

The latest core spending allocations from Ministry of Housing, Communities and Local Government (MHCLG) have been used to inform the Central Government funding. Assumptions have been included to reflect that no earmarked reserves are allocated to finance revenue expenditure over the period of the medium term plan but this will be subject to negotiation with HCC once the business case is approved.

Indicative precept calculations have been drawn up in line with the guidance provided by the Home Office and based on information provided by HCC. The precept calculations have been based upon the net revenue requirements from the projected 3 year budgets as well as notional figures for RSG and the Baseline Funding included within the MHCLG funding settlement for Hertfordshire. The Local business Case goes on to highlight how the PCC-style FRA precept would be split out from the combined precept for Hertfordshire ensuring the same overall precept value for Hertfordshire Council taxpayers.

The Home Office guidance states that the exact level of reserves to transfer will be subject to future local negotiation. Given the difficulty in splitting out the HFRS portion of the reserves the Local Business Case indicates it will likely prove reasonable to follow the independent CIPFA best practice to set the level of general fund reserves as a proportion of net revenue expenditure, which is in the region of 6%.

The Local Business Case acknowledges that there will be transition costs involved and attempts to estimate these costs. HCC provided an initial high level estimate of the anticipated transition costs it would have to incur. Recognising the requirement to acknowledge that there will be some costs to HCC, their estimated transition costs have been included in the business case.

Key asset categories including their NBV, estimated number of assets and estimated average useful life as 31/3/2016 have been highlighted in the Local Business case. A substantive level of detail has been presented bearing in mind the sensitivity and hence the limited information received from HCC.

HFRS is so entwined within HCC that the final inventory and value of assets and liabilities would require detailed assessments and negotiations with HCC regarding each asset category. The assets that are clearly identified by HCC as belonging to HFRS have been summarised and included as part of the Local Business Case. The remaining shared assets would need to be analysed by asset category to understand the fair proportion attributable to HFRS. This would involve negotiations with HCC and include agreeing on the appropriate method to split the share of assets.

## 1.5 Comparison of approach to other Fire Governance Business Cases

Business cases that are similar to this Local Business Case, involving a change in governance of the Hertfordshire Fire and Rescue Services (HFRS) and which have already been approved by the Secretary of State, have been reviewed and explored to understand what additional level of information and evidence were included that may provide further support to the Hertfordshire PCC Local Business Case.

The expectation was that these comparator business cases would include a significant level of detail supporting the arguments, given these would primarily be standalone Fire and Rescue Services and would not be hindered by the complexity involving the separation of embedded operations from a County Council.

This review demonstrated that the comparator business cases presented a high level financial summary only of the costs and benefits. Opportunities have been identified in many comparator business cases, but they have not presented the associated quantified savings, risks and assumptions at the level of detail included in the Hertfordshire Fire and Rescue Services Local Business Case. In addition, Governance Review and Option Analysis in two



comparator instances presented opportunity level cost and benefit analysis in similar detail to that documented in the Hertfordshire Fire and Rescue Local Business Case.

The Local Business Case has used independent inputs to estimate and present an estimated split by funding category (RSG and Baseline funding). It was noted that the few comparator business cases that included their funding information, did so to a similar level of detail as Hertfordshire Fire and Rescue Services' Local Business Case. This Local Business Case goes a step further to provide forecast budgetary impacts including the funding estimates for the forward forecast years.

Of the comparator business cases, only two instances (Northamptonshire and Hampshire Fire and Rescue Service Business Cases) included precept computations. The Hertfordshire Fire and Rescue Services' Local Business Case presents the computations at a greater level of detail compared to these two business cases, using HCC provided inputs and supported by assumptions.

The Local Business Case substantiates the asset categories and highlights the gaps in information and complexity in splitting out operations that would require detailed work and negotiations once the business case is approved. The review of comparator business cases did not identify alternate approaches that provided further clarity and detail. Assets and liabilities presented in two of the comparator business cases were at a similar level of detail to the Local Business Case. Some of the business cases did highlight that debt transfers would need to be agreed when the business case is progressed. However, the means of estimating and splitting out debt funding could not be seen or identified from these comparator business cases.

Compared to the other business cases, the approach adopted in this Local Business Case effectively utilises the best available inputs together with relevant assumptions and risks to provide clarity and support to the arguments presented.

The insights gained from the comparison of the business cases has been used to revisit the analysis within the Local Business Case using updated and available information from HCC, which has then been presented in this addendum.



## 2 Updates to the anticipated costs and benefits of the Governance Model

### 2.1 Updated costs and benefits of the Governance Model

The table below provides an overview of the updated costs and benefits from the latest available information for the recommended Option 3 – The Governance Model that have been prepared for this Addendum, compared with those figures included in the Local Business Case. The modelling includes both the base and stretch cases originally presented in the Local Business Case.

Costs and Benefits	Local Business Case		Addendum Update	
	Base Case	Stretch Case	Base Case	Stretch Case
Costs	(£7.0m)	(£35.1m)	(£13.5m)	(£39.5m)
Benefits	£19.9m	£72.3m	£32.2m	£81.7m
Net benefit	£12.9m	£37.2m	£18.7m	£42.2m
NPV of net benefit	£10.1m	£28.7m	£15.4m	£33.3m

The anticipated benefits in this Addendum have increased by around £5m across both the base and stretch cases compared to those presented in the Local Business Case. This is mainly driven by updates to the potential sites where collaborative opportunities could be realised and indicative market realisable estimates have been included. Four sites have been identified where rapid progress could be made towards realising the estate benefits and are expected to achieve around £9.0m net capital receipts.

Additional back office savings of around £1.5m compared to those initially presented in the Local Business Case are expected to be achieved as a result of the updates to this addendum. This is a result of increased savings anticipated from the 2017/18 actuals for HFRS which are higher than the budget numbers previously used.

The anticipated costs (in both the base and stretch cases) are expected to increase by £0.7m as a result of revised and higher transition cost estimates provided by HCC.

The updated costs and benefits are presented over the ten year period (2018/19-2027/28) on a net present value basis in the two tables overleaf. They have been grouped by the opportunities identified in the Local Business Case. Assumptions and further details relating to these are presented in the following sections. The cash flow estimations represent the incremental benefits and costs, both one-off and ongoing over the 10 year period that are expected to accrue as a result of the transfer of governance.

## Updated Base Case Cash Flow

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
<b>Transition Costs</b>	(£1,681,800)										(£1,681,800)
<b>Costs Associated With Opportunities</b>											
Opportunity 1 - Improved utilisation of fire service discretionary capacity											£0
Opportunity 2a - Rationalisation of estate (4 sites)			(£6,000,000)	(£4,000,000)	(£1,500,000)	(£250,000)					(£11,750,000)
Opportunity 2b - Rationalisation of estate (maintenance)											£0
Opportunity 3 - Back office savings											£0
Opportunity 4 - Contract negotiation (2%)											£0
Opportunity 5 - Merging of Admin of FFFPS and Police Pension Scheme	(£100,000)										(£100,000)
<b>Investment (Outflow)</b>	<b>(£1,781,800)</b>	<b>£0</b>	<b>(£6,000,000)</b>	<b>(£4,000,000)</b>	<b>(£1,500,000)</b>	<b>(£250,000)</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>(£13,531,800)</b>
<b>Savings</b>											
Opportunity 1 - Improved utilisation of fire service discretionary capacity		£130,000	£130,000	£130,000	£130,000	£130,000	£130,000	£130,000	£130,000	£130,000	£1,170,000
Opportunity 2a - Rationalisation of estate (capital receipts from 4 sites)			£10,000,000	£7,000,000	£3,000,000	£750,000					£20,750,000
Opportunity 2b - Rationalisation of estate (maintenance)			£133,333	£266,667	£400,000	£400,000	£400,000	£400,000	£400,000	£400,000	£2,800,000
Opportunity 3 - Back office savings		£136,250	£129,438	£679,460	£679,460	£679,460	£679,460	£679,460	£679,460	£679,460	£5,021,908
Opportunity 4 - Contract negotiation (2%)		£229,318	£229,318	£229,318	£229,318	£229,318	£229,318	£229,318	£229,318	£229,318	£2,063,862
Opportunity 5 - Merging of Admin of FFFPS and Police Pension Scheme		£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£450,000
<b>Benefits (Inflow)</b>	<b>£0</b>	<b>£545,568</b>	<b>£10,672,089</b>	<b>£8,355,445</b>	<b>£4,488,778</b>	<b>£2,238,778</b>	<b>£1,488,778</b>	<b>£1,488,778</b>	<b>£1,488,778</b>	<b>£1,488,778</b>	<b>£32,255,770</b>
<b>Cash Position In Year</b>	<b>(£1,781,800)</b>	<b>£545,568</b>	<b>£4,672,089</b>	<b>£4,355,445</b>	<b>£2,988,778</b>	<b>£1,988,778</b>	<b>£1,488,778</b>	<b>£1,488,778</b>	<b>£1,488,778</b>	<b>£1,488,778</b>	<b>£18,723,970</b>
<i>Present Value at 3.5% (Green Book Recommended)</i>	<i>0.96618</i>	<i>0.93351</i>	<i>0.90194</i>	<i>0.87144</i>	<i>0.84197</i>	<i>0.81350</i>	<i>0.78599</i>	<i>0.75941</i>	<i>0.73373</i>	<i>0.70892</i>	
<b>DCF</b>	<b>(£1,721,546)</b>	<b>£509,294</b>	<b>£4,213,956</b>	<b>£3,795,518</b>	<b>£2,516,471</b>	<b>£1,617,872</b>	<b>£1,170,166</b>	<b>£1,130,595</b>	<b>£1,092,363</b>	<b>£1,055,423</b>	<b>£15,380,112</b>
<b>Cumulative cash flow</b>	<b>(£1,721,546)</b>	<b>(£1,212,252)</b>	<b>£3,001,704</b>	<b>£6,797,223</b>	<b>£9,313,693</b>	<b>£10,931,566</b>	<b>£12,101,732</b>	<b>£13,232,327</b>	<b>£14,324,689</b>	<b>£15,380,112</b>	

The base case is anticipated to require £13.5m of costs and capital investment. It is anticipated to deliver net savings of £18.7m. Benefits of £15.3m are anticipated to be delivered over the ten year period on a net present value basis (2019/20-2028/29).

## Updated Stretch Case Cash Flow

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
<b>Transition Costs</b>	(£1,681,800)										(£1,681,800)
<b>Costs Associated With Opportunities</b>											
Opportunity 1 - Improved utilisation of fire service discretionary capacity											£0
Opportunity 2a - Rationalisation of estate (4 initial sites)			(£10,000,000)	(£1,750,000)							(£11,750,000)
Opportunity 2a - Rationalisation of estate (13 sites)				(£4,000,000)	(£4,000,000)	(£4,000,000)	(£4,000,000)	(£4,000,000)	(£4,000,000)	(£2,000,000)	(£26,000,000)
Opportunity 2b - Rationalisation of estate (maintenance)											£0
Opportunity 3 - Back office savings											£0
Opportunity 4 - Contract negotiation (5%)											£0
Opportunity 5 - Merging of Admin of FFFPS and Police Pension Scheme	(£100,000)										(£100,000)
<b>Investment (Outflow)</b>	<b>(£1,781,800)</b>	<b>£0</b>	<b>(£10,000,000)</b>	<b>(£5,750,000)</b>	<b>(£4,000,000)</b>	<b>(£4,000,000)</b>	<b>(£4,000,000)</b>	<b>(£4,000,000)</b>	<b>(£4,000,000)</b>	<b>(£2,000,000)</b>	<b>(£39,531,800)</b>
<b>Savings</b>											
Opportunity 1 - Improved utilisation of fire service discretionary capacity		£130,000	£130,000	£130,000	£130,000	£130,000	£130,000	£130,000	£130,000	£130,000	£1,170,000
Opportunity 2a - Rationalisation of estate (indicative capital receipts from 4 sites)			£17,000,000	£3,750,000							£20,750,000
Opportunity 2a - Rationalisation of estate (13 sites based on average NBV's 31Mar2018)					£5,600,000	£5,600,000	£5,600,000	£5,600,000	£5,600,000	£5,600,000	£33,600,000
Opportunity 2b - Rationalisation of estate (maintenance)			£258,824	£517,647	£776,471	£1,035,294	£1,294,118	£1,552,941	£1,811,765	£2,070,588	£9,317,647
Opportunity 3 - Back office savings	£136,250	£129,438	£1,569,800	£1,569,800	£1,569,800	£1,569,800	£1,569,800	£1,569,800	£1,569,800	£1,569,800	£11,254,288
Opportunity 4 - Contract negotiation (5%)	£573,296	£573,296	£573,296	£573,296	£573,296	£573,296	£573,296	£573,296	£573,296	£573,296	£5,159,664
Opportunity 5 - Merging of Admin of FFFPS and Police Pension Scheme	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£50,000	£450,000
<b>Benefits (Inflow)</b>	<b>£0</b>	<b>£889,546</b>	<b>£18,141,557</b>	<b>£6,590,743</b>	<b>£8,699,567</b>	<b>£8,958,390</b>	<b>£9,217,214</b>	<b>£9,476,037</b>	<b>£9,734,861</b>	<b>£9,993,684</b>	<b>£81,701,599</b>
<b>Cash Position In Year</b>	<b>(£1,781,800)</b>	<b>£889,546</b>	<b>£8,141,557</b>	<b>£840,743</b>	<b>£4,699,567</b>	<b>£4,958,390</b>	<b>£5,217,214</b>	<b>£5,476,037</b>	<b>£5,734,861</b>	<b>£7,993,684</b>	<b>£42,169,799</b>
<i>Present Value at 3.5% (Green Book Recommended)</i>	<i>0.96618</i>	<i>0.93351</i>	<i>0.90194</i>	<i>0.87144</i>	<i>0.84197</i>	<i>0.81350</i>	<i>0.78599</i>	<i>0.75941</i>	<i>0.73373</i>	<i>0.70892</i>	
<b>DCF</b>	<b>(£1,721,546)</b>	<b>£830,401</b>	<b>£7,343,218</b>	<b>£732,659</b>	<b>£3,956,909</b>	<b>£4,033,654</b>	<b>£4,100,683</b>	<b>£4,158,566</b>	<b>£4,207,845</b>	<b>£5,666,873</b>	<b>£33,309,261</b>
<b>Cumulative cash flow</b>	<b>(£1,721,546)</b>	<b>(£891,145)</b>	<b>£6,452,073</b>	<b>£7,184,732</b>	<b>£11,141,641</b>	<b>£15,175,294</b>	<b>£19,275,977</b>	<b>£23,434,543</b>	<b>£27,642,388</b>	<b>£33,309,261</b>	

The stretch case is anticipated to require £39.5m of costs and capital investment. It is anticipated to deliver net savings of £42.2m. Benefits of £33.3m are anticipated to be delivered over the ten year period on a net present value basis (2019/20-2028/29).

## 2.2 Updated savings realised

### Rationalisation of estate savings

The Local Business Case puts forward the argument 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.

Stakeholders interviewed during the development of the Local Business Case have indicated that there is not significant co-occupancy between fire and HCC employees confirming a realistic opportunity that could be pursued. Opportunities for collaborative working and joint operations could be enabled through potential co-location of police into fire sites. The changes will improve public safety through a more joined-up and integrated approach to community safety and broader public service delivery across the county.

The local community would need to be factored into the decisions to operate in a single collocated estate to provide them with the level of comfort that it enhances public safety and is the most suitable way to meet the needs of communities in Hertfordshire.

The Police and Fire estate was considered and 17 locations were identified as being potential sites for implementing this joint estate. The assumption is that police would move into fire premises, as in most cases the police do not require specialist facilities (other than custody).

The upper range considered is the 17 sites (25% of total Police and Fire sites) identified. Other Fire Services (e.g. Hampshire) have already co-located in 7 locations, so a lower more cautious estimate of 4 (6% of total Police and Fire sites) has been considered (the Local Business case had 3 potential sites under consideration). These 4 sites that have been deemed feasible for co-location given the nature of the sites and proximity of fire and police stations in those areas. To realise the savings projected in the stretch case, feasibility studies would need to be conducted. This is directly comparable to the approach taken in other Local Business Cases that have already been approved by the Home Secretary.

Indicative market values have been estimated for the 4 sites where rapid progress could be made towards realising the estate benefits in the base case. The combined book values of the Police and Fire estates have been considered in estimating an indicative average NBV per site which has been used to estimate the savings for the remaining 13 sites in the stretch case.

New build fire stations have been estimated to cost in the region of £3-5m, based upon the Derby Fire and Rescue Services' Civic Road site. Refurbishment of existing fire stations to accommodate police colleagues have been estimated to be significantly smaller with the refurbishment of the Fire HQ of the Hampshire Fire and Rescue Authority being used as a reference point. Therefore a £2m refurbishment cost per site has been estimated as a reasonable assumption.

The anticipated net savings from the development of a joint estate are expected to at least achieve **£9.0m** for the 4 sites being explored in the base case. This is still a high level assessment of the expected net capital receipts from these sites and will require further validation. The net savings expected to be achieved in the stretch case for the 17 sites over the 10 year period from 2019/20-2028/29 are at least around **£16.6m**.

The asset values as at 31<sup>st</sup> Mar 2018 were sourced from HCC to validate the estate savings and provide further clarity and evidence to justify the estimates. The reduced benefits are attributable to the lower book values (primarily buildings) over time due to the impact of

depreciation of the estate. The lower estate savings continue to provide substantial net benefits and support the arguments presented in the Local Business Case for a transfer of Governance.

The 2017/18 actual maintenance expenditure for HFRS is in line with the budgeted amounts used in the Local Business Case and has not impacted the maintenance savings.

The table below illustrates the updated joint value of the estate and the potential capital and recurrent costs that could be released in the long term should the base case or stretch case eventuate.

Rationalisation of Estate Savings	Base Case	Stretch Case
Police Sites	37	37
Fire Sites	29	29
Total Sites	66	66
Merger of Sites	4	17
Remaining Sites	62	49
NBV of Police estate (£m)	£108.3	£108.3
NBV of Fire estate (£m)	£78.5	£78.5
Total NBV of estate	£186.8	£186.8
Average NBV of stations reduced (£m) (approx 2.8m per site)		£36.4
Average cost to accommodate reduced stations (£2m per station) (£m)		(£26)
Total Capital released from estate (£m) (13 sites based on Average NBV estimated above)		£10.4
Gross Capital released from estate (£m) (4 sites based in indicative market values)	£20.7	£20.7
Net Capital released from estate (£m) (4 sites based in indicative market values)	£9.0	£9.0
Total Capital released from estate (all 17 sites)	£9.0	£19.4
Total Capital released from estate (all 16 sites) over the 10 year period (£m)*	£9.0	£16.6

\* Benefits are expected to be realised for 16 anticipated Merger sites within the 10 year period to 2028/29. Benefits for the final site are anticipated in 2029/30.

The NBV of the Fire estate for £78.5m is included in the £95m Other Land and Buildings asset category of the assets expected to be transferred in section 3.4.

The risk that the NBV of the assets is not reflective of the true condition of the asset still continues to apply and the independent reviews would be required to assess this as part of the transfer of governance.

Joint governance of the estates could enable better use of police and fire assets through a common approach to investment decisions and estates consolidation. A number of sites have been identified and are still being explored for co-location of police and fire services. These will require further feasibility analysis to be undertaken over time to form the basis of rationalisation opportunities.

Four police sites have been identified where rapid progress could be made towards realising the estate benefits under the base case – these are listed below. £9.0m is the expected net capital receipts for the 4 sites based high level assessment of market value that could be expected from these sites and will require further validation to finalise as it gets implemented.

Site	One off investment	Indicative gross capital receipts (£m)	Indicative costs (£m)	Net Capital Receipts (£m)
HQ Welwyn Garden City	Relocation of F&R HQ to Police HQ, including the replacement of Hertford Fire Station in order to achieve the disposal of this existing Hertford Fire Station.	£6.0	£4.0	£2.0
	Relocation of Hatfield and Welwyn Garden City Fire Stations to create combined Fire Station on Police HQ site.	£4.0	£2.0	£2.0
Bishops Stortford	Relocation of Police Station to an extended Bishop Stortford Fire Station	£7.0	£4.0	£3.0
Hitchin	Relocation of Hitchin Safer Neighbourhood Team (SNT) to Hitchin Fire Station enabling existing Letchworth and Hitchin Police Stations to be combined on a single site in Letchworth.	£3.0	£1.5	£1.5
Buntingford	Relocation of Police Station to an extended Buntingford Fire Station	£0.75	£0.25	£0.5
	Total expected net capital receipts	£20.75	£11.75	£9.0

A map of the various police and fire sites is shown in the Appendix.

### Back office savings

As indicated in the Local Business Case, the existing back office function of HFRS is provided by HCC. This enables HFRS and HCC to benefit from perceived economies of scale and efficiencies. The functions are so embedded and it is too complex to identify and extract the HFRS back office costs at this stage.

Given this complexity, the approach adopted in the Local Business case was to use benchmarks to gauge the size of the function and infer a potential savings estimate range.

The 2017/18 actual central recharges (across ICT, HR and Finance to HFRS, as well as other spend on ICT relating to HFRS) is £2.7m. This is higher than the similar 2017/18 budgeted expenses amounting to £2.5m.

Benchmarks specific to government back office function operations have been used to compare the current 2017/18 actual expenditure against best practice (see table below). Comparisons against average performers indicates a potential to realise £679k per annum in savings which has been used in the base case scenario. A more optimistic comparison against the top 25 percentile performers indicates a potential to realise £1.6m per annum in savings which has been used in the stretch case scenario. The approach to realise these costs would need to be scoped and worked up in detail as part of implementation planning.

The updated savings from comparing to the benchmarks initially used in the Local Business Case estimates are expected to achieve at least £5.0m to an extended £11.2m over the 10 year period to 2028/29 (as shown in the base and stretch case cash flow tables above in the section 2.1). The increased savings of around £1.5m are attributable to increased back office spend by HCC within some categories in 2017/18 compared to the budget estimates and present clear opportunities for rationalisation of these costs.



In estimating the savings, it is assumed that the recharges will remain at existing levels in 2018/19 and taper by 5% per year for 2 years as improvements are gradually implemented. Full year savings (as per table below) are assumed to be realised from 2022/23 onwards.

There are a range of potential options to realise these benefits from rationalisation of the back office and these could include:

- Outsourcing the back office activities to HCC with targeted improvements to service levels each financial year;
- Outsourcing of the back office activities to an external provider;
- OPCC could take on and operate the services in-house, whilst implementing improvements over time; and
- Joint shared services operation with other public bodies or blue light agencies.

Although each of these options could lead to the realisation of the back office benefits as set out above, the choice of most feasible option would require a much more detailed understanding and analysis of the current operating model within HCC and the HFRS related activities being performed in the back office functions, as well as the future operating model required to deliver services to HFRS post transfer. The assessment and choice of the option that enables the most optimum route to achieving the benefits would need to be undertaken as part of implementation planning and with a detailed understanding of the HCC back office operations related to HFRS.

The table below summarises the updated savings estimates per year from the benchmarking exercise.

	Average	75th percentile	25th percentile
Total cost to perform HR function per £1000 revenue	£2.37	£5.47	£1.51
HFRS budget	£38,000,000	£38,000,000	£38,000,000
Cost of HR	£90,060	£207,860	£57,380
Total cost of finance as % of revenue	1.54%	2.30%	1.06%
HFRS budget	£38,000,000	£38,000,000	£38,000,000
Cost of finance	£585,200	£874,000	£402,800
Total IT cost incl deprec/amort per £1000 revenue	£36.06	£43.05	£18.29
HFRS budget	£38,000,000	£38,000,000	£38,000,000
Cost of IT	£1,370,280	£1,635,900	£695,020
<b>Benchmark cost of back office</b>	<b>£2,045,540</b>	<b>£2,717,760</b>	<b>£1,155,200</b>
<b>Cost of Existing Provision</b>	<b>(2,725,000)</b>	<b>(2,725,000)</b>	<b>(2,725,000)</b>
<b>Saving</b>	<b>(679,460)</b>	<b>(7,240)</b>	<b>(1,569,800)</b>

### 2.3 Updated transition costs

Transition costs have increased to £1.7m (see table below) from the previously estimated £991k. HCC have provided a revised estimate of £1.3m (previously £650k) for the anticipated costs to be incurred as part of the transfer. This is primarily project resources to support the service transfers. Most of the cost increase is attributable to changes relating to ICT systems (£460k) and amendment of property contracts (£160k). The remaining transition costs remain the same as those submitted in the original Local Business Case.

The tables below presents the revised transition cost estimates.

Transition costs	One off investment
Costs incurred by HCC related to the transfer	£1,340K
Pensions advice regarding LGPS transfer	£100K
Estates survey	£75K
Accounting preparation	£57K
Legal advice	£109K
<b>Total</b>	<b>£1,681K</b>

The above transition costs are still high level estimates and will need to be negotiated by HCC and PCC and agreed as part of transition planning. Given the difficulty in providing a refined estimate of the transition costs as shown by the wide variance between the original and revised estimated presented by HCC, it is possible that these transition costs could be at the upper range of the possible outcomes.

The table below presents the breakup of revised HCC transition cost estimate of £1,340k:

Transition Cost Category	Original Estimate £k	Revised Estimate £k	Note
Community Protection		60	Community Protection Project Lead
Finance	50	70	Backfill needed to enable fire leads to focus
Procurement	50	10	Identifying affected contracts and specification of support contract and adapting procurement templates
HR	50	50	Full time dealing with TUPE, consultation, data transfer etc.
Legal	100	120	Based on in-house support to deal with agreements, contract novation, asset transfers, TUPE/employment advice, etc. Costs will be higher if it's necessary to buy this support in
Property	50	210	Support for asset transfers/disposals under the Property Managed Service contract – it may be possible to negotiate a bulk deal for consultancy on transfers
ICT Resource	50	50	Support for system changes
ICT services	250	710	<p>Estimate of costs to amend and separate Fire from HCC's core ICT systems whilst ensuring continued connectivity etc.</p> <p>For example, if Fire continues to use HCC financial systems, it will need to be set up as a separate company.</p> <p>Other system changes to be considered are a separate email address/system, a separate website, detaching Fire from HCC's shared drive, Fire's own Livelink system and possibly transferring Fire's desktop systems out of HCC's infrastructure</p> <p>This is a high level estimate, and the final cost will depend on degree of separation needed in the systems</p>
Project manager	50	60	HCC project lead
<b>TOTAL</b>	<b>650</b>	<b>1,340</b>	

### 3 Updates to impact forecast projections

### 3.1 Updated 3 year projections

The original three year projection presented in the Local Business Case has been updated in this Addendum for the 2017/18 actuals for income and expenditure on the HFRS provided by HCC. This represents a more robust representation of future year forecasts as it is built upon a factual 2017/18 baseline. Similar figures were not available from HCC when the PCC was preparing the Local Business Case in 2017. Adjustments have been made for one off non-recurring items noticed within the actuals after clarification from HCC. Accounting items (primarily IAS 19 Transactions and Depreciation) and items that are expected to be fully funded (Home Office Pensions Grant) have also been excluded as they were in the Local Business Case.

The projections have been rolled forward for the 3 years 2018/19 to 2020/21. The inflation and growth assumptions used to build the projections remain unchanged as detailed in Appendix 7.4.2 of the Local Business Case.

The table below shows the updated three year projections:

Revenue Expenditure	Actuals 2017-18 £k	Forecast 2018-19 £k	Forecast 2019-20 £k	Forecast 2020-21 £k
Staff	£29,000	£29,290	£29,583	£29,879
Fire Pensions (Ill Health/Fees)	£687	£700	£714	£729
Property Planned Maintenance/Other	£74	£75	£77	£78
Stores	£143	£146	£149	£152
Utilities	£1,533	£1,595	£1,658	£1,725
GM Property Charges	£480	£489	£499	£509
Fleet & Vehicle Related Costs	£1,307	£1,333	£1,360	£1,387
Travel Costs	£127	£130	£132	£135
Equipment and Office Supplies	£1,677	£1,711	£1,745	£1,780
IT Related Spend	£1,026	£1,047	£1,068	£1,089
Training	£270	£275	£280	£286
Central Recharges	£2,469	£2,469	£2,469	£2,469
MRP Financing Costs	-	£746	£746	£746
<b>Gross Revenue Requirement</b>	<b>£38,793</b>	<b>£40,006</b>	<b>£40,481</b>	<b>£40,964</b>
Catering Income	(£29)	(£29)	(£30)	(£31)
Commercial Training Income	(£70)	(£72)	(£73)	(£74)
Fees General	(£696)	(£696)	(£696)	(£696)
Grants and Contribution Income	(£267)	(£272)	(£278)	(£283)
Other Income	(£74)	(£74)	(£74)	(£74)
Permits and Licences	(£13)	(£13)	(£14)	(£14)
Property Income	(£453)	(£462)	(£471)	(£480)
<b>Net Revenue Requirement</b>	<b>£37,191</b>	<b>£38,387</b>	<b>£38,845</b>	<b>£39,311</b>
<b>Funded by:</b>				
Central Govt Grant (RSG)	(£4,911)	(£3,495)	(£2,730)	(£2,762)
Central Govt Grant (Baseline)	(£8,988)	(£9,258)	(£9,463)	(£9,576)
Other Reserves and Grants	-	(£948)	(£655)	(£655)
Surplus on Council Tax Collection Fund	-	(£273)	(£174)	(£174)
<b>Indicative Council Tax Requirement</b>	<b>£23,292</b>	<b>£24,414</b>	<b>£25,824</b>	<b>£26,143</b>

Note: Debt servicing costs have been included in the above projections and have been based on the £11.6m level of debt estimated to transfer (explained in 3.6 below). The cost of debt has been estimated at 6.4% using the HCC published financial statements for 2016/17. It has been estimated as the interest cost on the average total debt on the balance sheet over the year. The interest cost has been assumed to be fixed over the 3 years to 2020/21.

### 3.2 Updated funding requirement

Further detail and clarity has been provided by HCC on the SFA (Settlement Funding Assessment) funding sources and grants that will be applied to the net expenditure projections presented above in estimating the Council tax requirement for HFRS.

The existing Central Government funding sources presented in the Local Business Case have been confirmed as still applicable and align to the information provided by HCC. HCC have also provided further information on specific HFRS SFA funds and grants that have been apportioned from the overall HCC funding. In addition to this, a council tax collection fund surplus has been apportioned by HCC specifically for HFRS.

The total funding and grants estimated for HFRS are around **£13m** for both 2019/20 and 2020/21.

The table below provides a summary of the updated and more detailed funding splits and estimates and the basis of their apportionment.

	2018/19	2019/20	2020/21	Estimation Method	Source
	£m	£m	£m		
<b>SFA Funding and Grants</b>					
Fire - Notional RSG	(£3.49)	(£2.73)	(£2.76)	HCC. 2020/21 estimated to be the same	HCC
Fire - Notional Baseline Funding	(£9.26)	(£9.46)	(£9.58)	HCC. 2020/21 estimated to be the same	HCC
NNDR budgeted growth above baseline	(£0.07)	(£0.07)	(£0.07)		HCC
NNDR collection fund surplus/(deficit)	(£0.09)	£0.15	£0.15	90% HCC, 10% Fire; 2020/21 estimated to be the same	HCC
S31 relating to NNDR indexation/reliefs	(£0.49)	(£0.44)	(£0.44)		HCC
Fire Link Grants	(£0.30)	(£0.30)	(£0.30)	HCC. 2020/21 estimated to be the same	HCC
	<u>(£13.70)</u>	<u>(£12.85)</u>	<u>(£12.99)</u>		
<b>Other Funding</b>					
Council tax collection fund surplus	(£0.27)	(£0.17)	(£0.17)	Proportion of net budget	HCC
<b>Total Funding and Grants</b>	<u>(£13.97)</u>	<u>(£13.02)</u>	<u>(£13.17)</u>		

The final funding amounts to transfer is a matter for negotiation and local agreement between HCC and PCC and would need to be fair and proportionate, and consider the financial sustainability of both entities.

### 3.3 Updated precept calculation

Indicative precept calculations have been updated for this Addendum and estimated based on the net revenue projections (as per section 3.1 above), which have been projected using the 2017/18 actuals for income and expenditure received from HCC. This provides a more up-to-date financial baseline compared to the 2017/18 budget numbers used in the Local Business Case (as the best information available at that point in time).

The precept estimations have been refined further using the more detailed funding splits and estimates provided by HCC (as shown in section 3.2 above). An indicative precept of **£58.72** has been estimated for 2019/20.

The table below summarises these indicative precept workings.

	2019/20 £m	Source
Net Revenue Requirement as per Business Case	£38.85	Net Revenue Projects as per section 3.1
Fire - Notional RSG	(£2.73)	HCC.
Fire - Notional Baseline Funding	(£9.46)	HCC.
NNDR budgetted growth above baseline	(£0.07)	HCC.
NNDR collection fund surplus/ (deficit)	£0.15	HCC.
S31 relating to NNDR indexation/reliefs	(£0.44)	HCC.
Fire Link Grants	(£0.30)	HCC.
Net Revenue Requirement after SFA Funding and Grants	£26.00	
Surplus/(Deficit) on Council Tax Collection Fund	(£0.17)	HCC
<i>Additional Precept Figure*</i>	£0.36	Calculated for the business case
<b>New Council Tax Requirement (£m)</b>	<b>£26.18</b>	
Band D Council Tax Base	445910	HCC
<b>Indicative Precept (£)</b>	<b>£58.72</b>	

The (\*) Additional Revenue Requirement as estimated in the Local Business Case increases the CT requirement by £0.37m, providing revenue in 2019/20 to smooth transitional cash flow and contribute to early costs.

This PCC-style FRA precept would be split out from the combined precept for Hertfordshire, with the remainder representing the Council precept (post-FRA). This ensures the same overall precept value for Hertfordshire Council taxpayers. The updated table below illustrates this for 2019/20. The precept estimations for 2020/21 has not been estimated due to lack of information available from HCC regarding their funding.

2019/20 Funding Requirement	2019/20 Pre- Transfer (£m)	2019/20 Council Post Transfer (£m)	2019/20 FRA Post Transfer (£m)	2019/20 Total
Council Tax	£563.70	£537.51	£26.18	
Revenue Support Grant	£1.89	(£0.84)	£2.73	
Baseline Funding Level	£121.99	£112.52	£9.46	
Other Reserves and Grants	£145.86	£145.21	£0.65	
Surplus/(Deficit) on Council Tax Collection Fund	£4.00	£3.83	£0.17	
	<b>£837.43</b>	<b>£798.23</b>	<b>£39.21</b>	<b>£837.43</b>

Note: The additional precept estimates for £0.36m for 2019/20 has not been included in the above precept split calculation.

### 3.4 Updated assets and liabilities position

HFRS specific assets and liabilities have been identified using information provided by HCC. The latest asset register as at 31<sup>st</sup> March 2018 has been used to identify specific assets and their current NBV.

A summary of these assets has been presented in the table below:

Asset Category	NBV as at 31st March 2018 (£k)	# of Assets	Average Useful Life
Assets Under Construction <sup>1</sup>	£433	4	10.00
Intangible Assets <sup>2</sup>	£772	1	5.00
Other Land and Buildings <sup>3</sup>	£95,440	86	34.42
Vehicles, Plant and Equipment	£9,910	175	4.11
<b>Grand Total</b>	<b>£106,555</b>	<b>266</b>	<b>14.00</b>

1. These relate to 4 fire hydrants that are being built.

2. Software within the East Coast & Humberside control room.

- In addition to the fire estates this category includes other property assets include land for access roads, housing, garages, control centre etc.

The condition of the estates continues to be an area that would need to be addressed through an independent condition survey conducted as part of the transfer. It would be financially unviable for the PCC or HCC to conduct these surveys prior to a decision from the Home Secretary. HCC in its 2016 Peer Review concluded that the estate was “not in good repair and does not provide a modern progressive environment for a new culture to grow.”

Assessment of the values, valuation dates and methodology and remaining life of all key assets continues to be a key activity for detailed design and will be pivotal for the Business Transfer Agreement.

### Specific Liabilities Identified:

Listed below are specific HFRS liabilities as at 31<sup>st</sup> March 2018 that HCC has provided information on. Due diligence and negotiation over the exact value of assets and liabilities would need to be conducted as part of the transfer implementation.

Asset Category	NBV as at 31st March 2018 (£k)
HFRS Outstanding Employee and Public Liability	£52
HFRS Motor Vehicle Claim Liability	£196
Other HFRS Current Liabilities	£210
<b>Total Liabilities</b>	<b>£458</b>

### 3.5 Estimation of reserves

As part of the transfer of governance it is anticipated that HFRS will receive a fair and proportionate share of the general fund reserves to enable it to meet its initial transition commitments, ongoing working capital requirements, ability to service any debts and for the general financial stability of the entity. The level of uncertainty in relation to the condition of the estate, ICT liabilities and pension's may require an additional capital reserve sum to be agreed prior to final transfer.

HCC have not provided any view on the estimation of the reserve apportionment. Given the difficulty in splitting out the HFRS portion of the reserves the Local Business Case indicates it will likely prove reasonable to follow the independent CIPFA best practice to set the level of general fund reserves as a proportion of net revenue expenditure, which is in the region of 6%.

Based on this approach and using the 2018/19 net revenue budgets information provided by HCC, an initial view on estimated reserves would be **£2.2m** as shown below. This is assumed to be funded through a cash transfer.

The exact level of reserves will be subject to future local negotiation and is in line with previous guidance provided by the Home Office.

### 3.6 Estimation of debt

HCC have not been able to provide any information on the debt specifically used to finance HFRS assets, as this is not available. The current HCC debt is currently recorded as an aggregated amount and is not allocated against individual assets.

HCC has shared the draft balance sheet as at 31<sup>st</sup> March 2018 and confirmed the Long Term Borrowings represents the centrally managed debt. One initial view considered is to apportion these Long term borrowings using the HFRS proportion of the total net revenue requirement for the 2018/19 budget year. This would translate to **4%** and amounts to one initial indicative view of **£11.6 m**. This debt estimate is assumed to fund other non-specific HFRS assets.

	<b>£k</b>
HCC Long Term Borrowing (31/3/2018)	260,760
Total HCC (inc. HFRS) Net Revenue Budget (2018/19)	844,793
HFRS Net Revenue Budget (2018/19)	37,593
HFRS Proportion of Total Net Revenue Budget (2018/19)	4%
<b>Initial estimated view of HFRS Debt</b>	<b>11,604</b>

Whilst it is anticipated that future guidance will be issued on debt, either by the Home Office and/or the relevant CIPFA working group, this remains an area of risk. The final debt apportionment would need to be negotiated locally by PCC and HCC as part of the transfer planning process. A critical part of this negotiation would also involve associating the agreed amount of debt to transfer to the specific and non-specific assets that would also transfer to match the debt liabilities transferring.

A pro-forma balance sheet has been prepared to provide an indicative view of the HFRS asset, liability and funding position using 31 March 2018 figures sourced from HCC and as if HFRS were to transfer at this date.

A pro-forma balance sheet has been prepared to provide an indicative view of the HFRS asset, liability and funding position using 31 March 2018 figures sourced from HCC and as if HFRS were to transfer at this date.

HFRS Proforma Balance Sheet (31st March 2018)	Fixed Assets Identified £000s	Other Assets / Liabilities Identified £000s	Working Capital Funding £000s	Debt and Reserve Funding £000s	Proforma Balance Sheet 31Mar 2018 £000s
Fixed Assets (Specific Assets)	106,555				106,555
Other Fixed Assets (Non-Specific Assets)				9,301	9,301
Cash		458	3,199	2,303	5,960
Current Assets			135		135
Current Liabilities		(458)	(3,334)		(3,792)
Working Capital	-	-	-	2,303	2,303
Long Term Liabilities				(11,604)	(11,604)
<b>Net Assets</b>	<b>106,555</b>	-	-	-	<b>106,555</b>
Reserves	(106,555)				(106,555)
<b>Total Funding</b>	<b>(106,555)</b>	-	-	-	<b>(106,555)</b>

The assumptions used to develop the HFRS pro-forma balance sheet are as follows:

- 1) The Fire specific assets identified by HCC in the asset register at 31<sup>st</sup> March 2018 assumed to be funded out of HCC total reserves as per their draft balance sheet as at 31<sup>st</sup> March 2018.
- 2) Specific HFRS current liabilities (employee, public liability, motor vehicle claims, and

outstanding invoices) have been identified by HCC to be transferred and assumed to be funded by cash or cash equivalents.

- 3) Initial working capital that would transfer has also been estimated at 1 month of net expenditure requirement for 2018/19 assumed to be funded by cash to be also transferred.
- 4) The amount of debt transfer has been estimated using the HFRS proportion of the Total HCC Net Revenue Budget for 2018/19 (4% estimate) amounting to £11.6m. £2.2m of reserves estimated as 6% of the Net expenditure budget for 2018/19 is estimated to be transferred as cash, and the net balance of £9.3m as non-specific assets.

## 4 Conclusion

The transference of the Fire and Rescue Authority (FRA) to the PCC under option 3 (governance model) presents the best service for Hertfordshire. It provides enhanced, transparent and effective governance under a directly elected Police, Fire and Crime Commissioner who can deliver significant and tangible benefits for the people of Hertfordshire.

The dedicated governance and joint co-location of Police and Fire emergency services enables the provision of expanded blue light services and opportunities for future enhancement of these services. Working collaboratively with better intelligence and information sharing will result in improved decision making and translate to increased public safety.

The updates provided by this addendum factoring in the latest information sourced from HCC continue to enforce the arguments within the Local Business Case and justify the critical success factors required to proceed with the transfer of governance according to the recommended Governance Model.



## 5 Appendices

### 5.1 Map of Police and Fire Sites

The map below shows the Police and Fire sites that have been identified as initial opportunities for partnership. Further feasibility analysis would be required to be performed to validate the rationalisation opportunities.

