



Committee report

Committee	CABINET
Date	THURSDAY 14 JUNE 2018
Title	PROPOSED CREATION OF A NEW COMBINED FIRE AUTHORITY TO INCLUDE HAMPSHIRE, SOUTHAMPTON, PORTSMOUTH AND THE ISLE OF WIGHT AUTHORITIES
Report of	CHIEF EXECUTIVE

EXECUTIVE SUMMARY

1. Full Council agreed to accept an outline business case for the creation of a new Combined Fire Authority (CFA), consisting of the Authorities of Hampshire, Isle of Wight, Portsmouth and Southampton, in March 2018.
2. This report sets out, for the Cabinet's consideration, a more comprehensive business case for a CFA, with a clear understanding of the day to day operational implications for the Islands Fire and Rescue Service. Members are asked to review and note this comprehensive business case as a basis for a detailed public consultation exercise on the proposals.
3. Any final decision on the establishment of a new CFA is a matter for the Secretary of State. This will require a final business case to be submitted to government, incorporating the public consultation exercise and with the support of the Full Council, based on a recommendation of the Cabinet

BACKGROUND

4. On 21 February 2017, both the council's then Executive and the Hampshire Fire and Rescue Authority (HFRA) agreed to an investigation into the extension of the current Combined Fire Authority (CFA) to include the Isle of Wight Fire and Rescue Service (IWFRS.). Members of the council's Executive and the HFRA asked the Chief Fire Officer to develop a business case for further consideration and decision. On 21 and 22 March 2018 respectively, both Full Council and the HFRA received an initial business case which outlined the risks and benefits of creating a new CFA. Full Council requested more information, specifically around the operational impact of creating a new CFA. This report includes at appendix A, details of a full business case for Cabinet's consideration and provides an outline of the public consultation to follow Cabinet's approval.

5. One of the key drivers for considering the governance of the service was and remains the Police and Crime Commissioner (PCC). The Policing and Crime Act 2017 places a duty on both constabularies and fire and rescue services to collaborate, it also allows a PCC to make a local case for the change in governance arrangements for a fire and rescue service. The PCC has recently indicated his intention not to pursue a business case for a change in governance.
6. A change in governance and the creation of a new CFA requires Secretary of State approval, as set out in the Fire and Rescue Services Act 2004. If both the Council and the HFRA agree to proceed with public consultation, it is the intention to bring a further report which details the outcome of the consultation exercise, back to Full Council, with a Cabinet recommendation, and the HFRA in autumn 2018. This report will inform the decisions of both organisations before a final submission to the Secretary of State can be made.

THE ISLE OF WIGHT FIRE AND RESCUE SERVICE (IWFRS)

7. The IWFRS delivers the functions of a fire and rescue service to the community on the Isle of Wight. The IWFRS has been on a journey of improvement over several years which started in 2005 when the Audit Commission judged the IWFRS 'Poor' under Comprehensive Performance Assessment (CPA). The following Direction of Travel for 2008 reported that the service was 'Improving Well'. The Comprehensive Area Assessment (CAA) judgement given in 2009 stated the service 'Performs adequately overall', this was after the last data driven, evidence based review of the risks on the Isle of Wight.
8. In 2014, the IWFRS commissioned a Peer Review which highlighted many areas of nationally recognised notable practice, which demonstrates significant improvements since the CPA judgement in 2005. However, the Peer Review also stated that there were and would continue to be capacity and resilience issues.
9. Following the 2014 Peer Review, IWFRS approached Hampshire Fire and Rescue Service (HFRS) to form a strategic partnership arrangement. The Delivering Differently in Partnership (DDiP) programme was established on 1 April 2015, for a period of five years, to ensure the continued effective delivery of fire and rescue service on the Island, to maintain capacity and resilience and to provide efficiency savings to IWFRS.
10. DDiP has seen IWFRS and HFRS deliver work packages in partnership across a range of areas including strategic leadership, fire control and mobilising, health and safety, fleet and equipment maintenance and operational policies and procedures. To date, capacity and resilience have improved, and the savings to IWFRS have been £437k per annum.
11. Recent analysis of the provision of fire and rescue services on the Isle of Wight identified the continued relevance of the current Integrated Risk Management Plan (IRMP) and the impact of the service in its achievement. As one of the range of services provided by the Isle of Wight Council it continues to be

subject to the same tight budgetary controls as applied across the whole organisation as the council strives to be a 'financially balanced and sustainable' organisation. This may have the effect of limiting the service's capacity to undertake some of the extended functions of a larger, stand-alone fire and rescue service.

12. The contributing financial factors, along with the challenge of sustaining the capacity and resilience of the fire service, and with the powers granted to PCC's within the Policing and Crime Act 2017, means that investigating a change in the future governance of the IWFRS is the next logical step to ensuring communities on the Island receive an optimal fire and rescue service.
13. The business case at appendix A explores the risks and benefits of creating a new CFA by considering operational and financial risks and benefits of a combination. Within the Fire and Rescue Services Act 2004, the Secretary of State, when considering creating a new CFA, will make a decision based on the areas of;
 - (a) efficiency,
 - (b) effectiveness,
 - (c) economy
 - (d) public safety.
14. Issues of efficiency, effectiveness and public safety are all part of the day to day operations of a fire and rescue service and are explained in the 'operational analysis' section of appendix A. The economy aspects are explored within the 'financial analysis' section of appendix A which explains the impacts to the IWC as result of the creation of a new CFA.
15. The business case suggests that the creation of a new CFA could lead to a more efficient and effective FRS providing improved levels of service to the public across the combined geography. This is especially the case in the delivery of community safety and business fire safety courses and initiatives which would help to reduce risk and improve public safety
16. Across a larger geographical area, operational staff will still maintain their existing local relationships and continue to have an understanding of the local context of the area they work in. No changes to the current operations of the fire and rescue service are envisaged in the business case, they will still be driven by a locally delivered IRMP. The creation of a new IRMP for the new CFA are would be required at a later date.
17. A new CFA, one organisation with a single purpose is likely to be a more, focussed way of running a Fire Service. It would allow for greater resilience, removal of duplication, enhanced capacity and ensure continuous improvement and development. The downside for the Isle of Wight being that decisions will no longer be made locally on the Island but by the larger CFA, although there will be IOW representation on the CF.

OPERATIONAL ANALYSIS

18. The Chief Fire Officer (CFO) is legally responsible for the operational delivery of fire and rescue service functions on the Isle of Wight. It is the view of the CFO that a new CFA would improve the efficiency and effectiveness of the IWFRS. There would be no reduction in the day to day operational delivery of fire services on the Island. There would be a single point for decision making without loss of influence on strategic planning, an increased capacity and resilience, reduced duplication of work and effective continuous improvement. There would also be improved public safety through the joined-up activities of community safety and business fire safety because of the joint capability gained by both services.
19. Being able to utilise firefighters, and other staff, to deliver the range of activities that HFRS currently carry out across a new CFA would help reduce the risk of fire and other emergencies.

FINANCIAL ANALYSIS

20. The Director of Finance (the statutory section 151 Officer) has been directly involved in the Financial Evaluation set out in the Business Case at Appendix A and is content with the information contained therein. The evaluation focusses on the following:
 - i) The mechanism for the transfer of Fire Funding from the IOWC to the new Combined Fire Authority
 - ii) The financial implications of such a transfer of funding to the Isle of Wight Council as a whole
 - iii) The implications to the Isle of Wight Council Tax payers, specifically in relation to future levels of Council Tax paid by residents

The Funding Transfer Mechanism

21. In aggregate the cost of the Fire Services, including all direct costs of service provision, support services, corporate overheads and debt financing costs, for 2018/19 is estimated to be £7.16m (comprising £6.14m of direct costs and £1.02m of other central costs). Naturally, any transfer of Fire Function should be accompanied by an equivalent amount of funding to match the current cost of provision.
22. The Chartered Institute of Public Finance and Accountancy (CIPFA) have developed some guiding principles to both determine the cost of provision and then disaggregate an equivalent level of funding. In broad terms the methodology seeks to achieve the following:
 - An overarching requirement to transfer funding equivalent to the cost of current Fire Service provision, achieved by:

- Transfer all Fire Specific Funding streams to the new CFA (from both the Revenue Support Grant and Business Rate Retention system)
- The balancing sum of funding required to meet the cost to be met by a transfer of Council Tax (i.e. a reduction in the Council Tax to the IOWC and a new Council Tax precept payable to the new CFA)
- Where there is any difference between the current Council Tax of the existing HFRA and the amount calculated above, the difference to be harmonised over time
- In addition, the new CFA will be entitled to all Earmarked Reserves held for Fire Purposes as well as a proportionate share of the IOWC General Reserves and Useable Capital Receipts to the extent that they exist

23. The proposals set out in the Business Case, for the most part, follow the methodology developed by CIPFA. There are three areas of departure / difference from that methodology which are described below, however those departures will be marginally positive to Council over the longer term:

- i) The treatment of outstanding debt - Estimates at £725,000

Debt is a single corporate cost and not distinguishable by Service Area. An appropriate apportionment methodology has been used to estimate its value of £725,000 per annum. The CIPFA methodology suggests that this cost should be transferred to the new CFA with an equivalent funding transfer which inevitably affects the element of Council Tax transferred. To follow this methodology in this case would however lead to a large disparity between the Council Tax levels of HFRS and the notional amount calculated for IOW Fire Service and therefore a significant upward harmonisation (increase in Council Tax) for all current Hampshire residents, the proposals in the Business Case.

The approach adopted, has been to leave the debt costs with the IOWC and the associated level of Council Tax, ensuring that the IOWC is no worse off. In the longer-term, this arrangement will have a marginally positive affect on the Council's financial position

- ii) Direct Support Costs - £270,000

These costs relate to support services and corporate overheads which would likely remain with the IOWC whether the Fire Service remained or transferred to a new CFA. The CIPFA guidance would suggest that funding for all costs should be transferred whether they are transferable or not on the basis that they may be able to be reduced over time. A pragmatic approach has been adopted which leaves the funding for these costs with the IOWC since associated savings are not deliverable in the short term, this however, represents a saving opportunity for the IOWC in the medium to longer term.

- iii) A transfer of a proportionate share of the Collection Fund Balance - £135,000 (total IOWC balance)

Collection Fund balances arise as a consequence of differences between amounts budgeted for Council Tax and Business Rates versus those received. Any surpluses or deficits are rolled into subsequent years and factored into future Council Tax and Business Rate estimates. These balances are essentially of a one off nature and not embedded into the recurring funding of the Fire Service. The CIPFA guidance is silent on this point and the agreed approach has been to leave these balances intact with the IOWC. This will not have a detrimental financial impact on IOWC

Financial Implications of Transfer

- 24. Whilst the transfer of funding of £6.055m (which includes a further £80,000 saving identified from 2019/20 as detailed in appendix A) to the new CFA reduces the Council's overall cost base from which to make potential future savings, it is not considered to be a significant issue given that following the savings already made by the Fire Service to date and following the service review it is unlikely that there is further scope for any additional meaningful level of savings to contribute towards the Council's overall savings requirement of £16.5m over the next 3 years
- 25. As previously mentioned, one of the main financial implications associated with the proposed is the transfer of liabilities relating to the maintenance and replacement of assets used by the Fire Service such as building and vehicles. It is estimated that some £2.3m of capital funding for property maintenance would be required over the next five years with £1.4m of this required in the first 1 to 2 years and a further significant annual revenue budget for non-capital maintenance and works would be required. In addition it is estimated that a further £1.8m over and above our current planned budget for the replacement of vehicles would need to be funded. These future costs will be avoided for the council if the new CFA is established. Future capital resources are very limited and therefore avoiding the need to allocate resources to the Fire Service will allow investment for other council services which will contribute towards the future financial sustainability of the council e.g. regeneration and other income generating projects.

Council Tax Implications

- 26. The proposed methodology for the transfer of funding will result a need for council tax harmonisation in order to form a single new CFA (as described in Appendix A). This would require that the Isle of Wight Council tax payer would pay an extra £3.74 per annum for a band D property which would be an increase of 0.24% on the current 2018/19 council tax.

Transition Costs

27. There are no anticipated additional costs to the council in creating a new CFA as currently any one-off costs associated with the transfer itself for the preparation of a final business case to Government, the legal process required and costs associated with the transfer of staff including equipment etc will be met by Hampshire Fire and Rescue Authority.
28. In overall terms, the financial implications of the transfer of the Fire Service into the new CFA are will be positive for the following reasons:
 - i) In terms of the reduction in funding, the methodology has been undertaken in a way which is practical, fair and financially beneficial to the IOWC.
 - ii) In terms of the ability to make a contribution towards the Council's £16.5m savings requirement, it is unlikely that the Fire Service, with its relatively small scale and in its current form will be able to make any meaningful contributions, leaving the burden of savings to be made in all other Service areas (i.e. a disproportionate amount of savings being in other Service areas should the Fire Service remain within the IOWC).
 - iii) The transfer removes future obligations for capital expenditure on buildings, vehicles and equipment which would otherwise have to be funded from the same level of capital funding that would exist whether the Fire Service remained within the IOWC or the new CFA.

LEGAL IMPLICATIONS

29. Advice from the Home Office has clarified that a change in the governance model of the HFRA and the IWFRS, which sits within the council, would need a new combination scheme to be created. This is set out in section 2 of the Fire and Rescue Services Act 2004.
30. A new Combined Fire Authority (CFA) would be established consisting of elected Councillors from Hampshire County Council, Portsmouth City Council, Southampton City Council and the Isle of Wight Council. A new Combination Order would have to be created for the new CFA. This would be drafted by Home Office lawyers in conjunction with HFRA and IWC legal representatives. All existing employees of the IWFRS would transfer into the new CFA.
31. The detailed legal implications of the creation of a new CFA, including things such as the transfer of assets and contract management would be explored as part of the report presented to Cabinet later in the year.
32. The Policing and Crime Act (the Act) came into effect from 1 April 2017. The Act establishes 'legislation to enhance the democratic accountability of police forces and fire and rescue services, improve the efficiency and effectiveness of the emergency services through collaboration and build public confidence in policing'.

There are 3 main provisions within the Policing and Crime Act 2017 which affect Fire and Rescue Services:

- A new duty to collaborate on Police, Fire and Emergency Ambulance Services.
- The enabling of Police and Crime Commissioners (PCC's) to be represented on their local Fire and Rescue Authority (FRA) with voting rights, where the FRA agrees.
- The enabling of PCC's to take responsibility for the governance of fire and rescue services where a local case is made.

Part 1 of the Act specifically relates to fire and rescue services and makes several additions to the Fire and Rescue Services Act 2004. The act, as amended, now provides powers to the Secretary of State to transfer the Fire and Rescue governance to a PCC upon the request of the PCC.

33. The Isle of Wight Council is the fire authority. On 21 February 2017 the Executive committed to preparing a business case for full council's consideration that examined the potential for a new CFA with Hampshire, Portsmouth and Southampton fire authorities. The ultimate decision as to whether to request that the Secretary of State make a new CFA rests with Cabinet, as it is an executive function. However, before Cabinet consider their decision the matter will be reported to full council in order that the views all memebhrs council can be taken into account by the Cabinet.

STRATEGIC CONTEXT

34. The council's Corporate Plan 2017 to 2020 has the following actions in the community safety and public protection portfolio, which directly link to the delivery of the initial business case for the creation of a new combined fire authority:
 - Develop a business case considering the options for future governance of the Isle of Wight Fire and Rescue Service building on the successful partnership with Hampshire Fire and Rescue Authority.
 - Fully assess the options and opportunities presented by the Policing and Crime Act 2017, liaising with the Hampshire police and crime commissioner, through a memorandum of understanding.
 - Develop options to improve the overall effectiveness of the Isle of Wight Fire and Rescue Service, ensuring an effective, resilient and safe service for the Island at all times.
 - Work with strategic partners and key stakeholders to ensure the Island has effective and robust arrangements to ensure the safety of the community at all times.

CONSULTATION

35. A public consultation about the potential for a new CFA is only necessary if Members are minded to accept the business case in support of its consideration. If this is the case then a 12 week consultation exercise on the proposals is required, in order to inform the final detailed business case for the creation of a new CFA across Hampshire, Portsmouth, Southampton and the Isle of Wight. This would be the form part of a submission to the Secretary of State.
36. Two separate consultation exercises will be required if members wish to proceed along these lines, one would be carried out in the current Hampshire Fire Authority Area, and the other on the Isle of Wight. A report back to the HFRA and the council would be expected later in the year.
37. The Home Office has been engaged in the process of developing the outline business case; it has welcomed the investigations into the proposed creation of a new CFA and is supportive of the direction of travel that both the HFRA and council have taken.
38. The Consultation Institute has undertaken a retrospective review of the business case and provided advice and guidance around best practice for consultation.
39. Dorset and Wiltshire Fire and Rescue Service (DWFRS) formed a new CFA in 2016. HFRA Officers have taken advice from DWFRS Officers to get an understanding of how they approached the combining of the two Services.

EQUALITY AND DIVERSITY

40. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
41. An equality impact assessment has been completed and shows no impact should the council choose the recommended options in this report. A further equality impact assessment will be carried out taking into account the outcome of the consultation, prior to delivery of a detailed business case in the future.

PROPERTY IMPLICATIONS

42. A building condition survey has been carried out for each fire station to identify its current condition and highlight any maintenance issues. This has helped to inform the finance section of the report.

43. If a new CFA is established the council would be committed to transferring all of its property assets used in support of the IWFRS to the new CFA, in their current state of repair.

OPTIONS

44. The following options are available to the council:
 1. Accept the business case for the creation of a new combined fire authority covering the Hampshire, Portsmouth, Southampton and Isle of Wight area.
 2. Undertake a 12-week public consultation exercise on the Isle of Wight to inform the development of a decision paper for the Council setting out the risks and benefits of a new combined fire authority.
 3. Maintain the existing governance arrangements and not proceed with consultation on the creation of a new combined fire authority.

RISK MANAGEMENT

45. The Isle of Wight Fire and Rescue Service is highly regarded by the Isle of Wight public who have demonstrated a strong sense of ownership and commitment to the service and its staff. Any final case to be put to the Secretary of State will need to address this key issue for the local community and ensure that the current levels of engagement and support for the service are not seen to be lost under any new governance arrangements.
46. Hampshire Fire and Rescue Authority has supported the development of the business case for a new combined fire authority but, like the council, it still needs to make a formal decision to develop a final business case informed by a wide ranging public consultation exercise.
47. The Police and Crime Commissioner has, for the present, indicated that he is not minded to develop a business case for the transfer of the responsibility for fire and rescue services from the council and the HFRA to his office. He has however indicated that how both parties approach the further investigation of a new CFA could be a 'trigger' for reconsideration of his position. There is therefore a risk that, if the council and HFRA do not undertake a public consultation exercise and the development of a final business case then the PCC may initiate his own programme of work that could ultimately lead to the governance of the both fire services transferring to the PCC.
48. The existing strategic partnership agreement between the council and HFRA is time limited and will need to be renegotiated within the next eighteen months. A public consultation exercise and development of a final business case for a new CFA could inform the renegotiation process should no agreement be reached on the implementation of a new CFA. It is difficult to identify at this stage what the impact of those negotiations might be for the council and HFRA.

49. Risk Management practices have been applied throughout the investigation of the creation of a new CFA. Appendix A sets out the operational risks associated with the any decision taken in respect of the potential new CFA. The matrix at appendix A would be developed further as part of a full business case.

EVALUATION

50. The analysis at appendix A that has informed this report demonstrates that the creation of a new CFA could realise many benefits for the effective and efficient delivery of the fire service across Hampshire and the Isle of Wight.
51. A new CFA has the potential to offer enhanced operational resilience and capacity for the fire and rescue service. It would also provide employees the opportunity to fully benefit from shared operational learning and knowledge and would allow for the simplification of organisational processes.
52. The strategic partnership has resulted in the establishment of good relationships between the two authorities, however a more stable platform, to ensure the continued success of these relationships, would be assisted by the creation of a new CFA.
53. Both authorities have their own individual strengths which if combined into a new CFA would allow for the consistent and continued improvement of reputation and profile, locally and nationally.
54. The current strategic partnership between the council and HFRA has been successfully operating for three years and has delivered benefits to both authorities. A new CFA could provide the opportunity for increased and shared organisational resilience and capacity, organisational learning and knowledge. A larger organisation could provide greater learning and development opportunities for staff.
55. The council's vision is to make life safer by ensuring safer communities and delivering the best possible services. The creation of a new CFA and the bringing together of two organisations into a larger service would allow for the alignment of safety campaigns and greater consistency of safety messages to the public.
56. A new larger CFA with an enhanced organisational and operational capacity would allow for enhanced cutting-edge delivery of services to communities and businesses across the whole of Hampshire and the Isle of Wight.

RECOMMENDATION

57. On the basis of the information contained in this report it is recommended that Cabinet adopt options 1 and 2:
1. Accept the business case for the creation of a new combined fire authority covering the Hampshire, Portsmouth, Southampton and Isle of Wight area.
 2. Undertake a 12-week public consultation exercise on the Isle of Wight to inform the development of a decision paper for the Council setting out the risks and benefits of a new combined fire authority.

APPENDICES ATTACHED

58. [Appendix A: Business case](#)

BACKGROUND PAPERS

- [February 2017 IWC Executive report on IMPLICATIONS OF THE POLICING AND CRIME ACT 2017](#)
- [March 2018 IWC Full Council report on INITIAL BUSINESS CASE INTO THE PROPOSED CREATION OF A NEW COMBINED FIRE AUTHORITY TO INCLUDE HAMPSHIRE, SOUTHAMPTON, PORTSMOUTH AND THE ISLE OF WIGHT AUTHORITIES](#)

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