



## PAPER C

Purpose: For Decision

# Committee report

Committee	<b>FULL COUNCIL</b>
Date	<b>WEDNESDAY 21 MARCH 2018</b>
Title	<b>INITIAL BUSINESS CASE INTO THE PROPOSED CREATION OF A NEW COMBINED FIRE AUTHORITY TO INCLUDE HAMPSHIRE, SOUTHAMPTON, PORTSMOUTH AND THE ISLE OF WIGHT AUTHORITIES</b>
Report of	<b>CABINET MEMBER FOR COMMUNITY SAFETY AND PUBLIC PROTECTION</b>

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### EXECUTIVE SUMMARY

1. This report sets out the outline case for the construction of a detailed business case into the creation of a new Combined Fire Authority (CFA) for the area of Hampshire, Southampton, Portsmouth and the Isle of Wight. The report is presented following the decision of the Executive in February 2017 to investigate the extension of the Hampshire Fire and Rescue Authority to include the Isle of Wight.
2. The work done to date, has clarified that the potential benefits from the proposed extension can now be achieved through the creation of a new combined fire authority involving Hampshire, Portsmouth, Southampton and the Isle of Wight, rather than as an extension to the existing combined fire authority. This will need to be the basis of the public consultation exercise and the work to complete a final detailed business case.
3. Any final decision about whether to create a new combined fire authority will be made at a future date and based on a detailed business case and the outcomes of the consultation exercise which will take place across Hampshire, Portsmouth, Southampton and the Isle of Wight.

### BACKGROUND

4. On 21 February 2017, both the council's Executive and the Hampshire Fire and Rescue Authority (HFRA) agreed to an investigation into the extension of the current combined fire authority to include the Isle of Wight Fire and Rescue Service (IWFRS.) Members of the HFRA and council asked the Chief Fire Officer to develop a business case for both HFRA and the council for further consideration and decision.

5. The report presented to the then Executive in February 2017 set out the background to the current strategic partnership, Delivering Differently in Partnership (DDiP), between the council and the HFRA and explained the rationale for investigating options for the future governance of the service.
6. 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, but subject to the successful coming together of both Fire Authorities.
7. The report to the Executive set out areas to be explored during the investigation. The following have been considered throughout this piece of work:
  - 'Blue light' services aligned to geographical boundaries and the benefits gained from driving partnership working, including the current Blue Light Collaboration programme which focuses on operational areas that can be delivered in partnership, to create efficiencies and safer communities and, the benefits of blue light services covering the same geographical area.
  - The benefits that shared expertise, innovation, knowledge and use of resources can bring to gain greater effectiveness and create safer communities.
  - The effectiveness and impact of existing partnerships and relationships.
  - The identity of both fire and rescue authorities and the uniqueness of the challenges faced by the IWFRS as an island authority.
  - The financial implications for both fire and rescue authorities including council tax, savings and financial benefits.
  - The duties within the Policing and Crime Act 2017 and the fire reform agenda.
  - Blue light services aligned to geographical boundaries linking with the Sustainability and Transformation Plan (STP).
  - The Isle of Wight Fire Service Review and how the review links to the options considered within this report.
8. For the purpose of creating an initial business case a team of officers from Hampshire Fire and Rescue Service (HFRS) and the council have worked together to carry out an analysis of the operational, organisation (people), public safety, financial and legal risks and benefits. Details of the risks and benefits can be found at appendix A.
9. An initial data gathering exercise has been carried out which looked at all aspects of HFRS and IWFRS work, including fleet, property and the shared services partnership. A full business case would include a more detailed data gathering exercise and analysis.
10. The IWFRS is a department of the council and is fully embedded into the council's operations. A key component of the investigation has been to identify the true cost of the IWFRS. The IWFRS does not collect a separate precept and is funded

through business rate, government grant and council tax. The HFRA is a combined fire authority, as it covers more than one local authority area; it can set and collect council tax from local residents.

11. Initial investigations into the creation of a new CFA have identified three main benefits:
  - (a) Increased resilience and capacity operationally and organisationally
  - (b) Safer communities
  - (c) Efficiency in scale and reduction in duplication
12. A new CFA would be made up of members from the councils of Hampshire, Portsmouth, Southampton and the Isle of Wight who would make decisions on fire related matters. They would need to give due regard to the importance of the principles of fire reform and to ensure the service is provided in the most efficient and effective way.
13. The proportionality of a new CFA would be calculated using a recognised formula which uses the number of constituent authorities and the number of electors in each of the authorities. Initial indications are that the likely total number of members of a new CFA could be 11. This would be subject to consultation with the constituent authorities but on this basis there would be eight members from Hampshire County Council, and one each from Portsmouth City, Southampton City and the Isle of Wight councils.
14. The Police and Crime Commissioner (PCC) currently participates in HFRA meetings as an invited guest and has a similar invitation to attend meetings of the council's Cabinet or Full Council when they are taking decisions as the local fire authority. Under a new CFA, it is proposed that this invitation would continue.
15. Hampshire Fire and Rescue Authority and the Isle of Wight Council have already established a successful strategic partnership through the Delivering Differently in Partnership (DDiP), which was created in April 2015. The partnership has been operating for nearly three years and has seen benefits to both authorities and the communities served. Both HFRA and the council are committed to ensuring the most efficient and effective governance models are in place that will benefit the residents of both the Isle of Wight and Hampshire.
16. The Policing and Crime Act 2017 places a duty on both authorities to collaborate and engage with other blue light partners where it is in the interest of effectiveness, efficiency and public safety. Both authorities are committed to ensuring the continued engagement with our blue light partners.
17. A blue light collaboration programme has been established between HFRS, the IWFRS, Hampshire Constabulary (HC), the Isle of Wight Ambulance Service (IWAS) and the South Central Ambulance Service (SCAS). The programme is governed by a blue light collaboration board and continues to be an excellent demonstration of emergency services collaboration. A change in governance model for HFRA and IWFRS would not affect the momentum of the Blue Light Collaboration Programme and would provide benefits of being co-terminus with Hampshire Constabulary boundaries.

18. The council has a vision for a 'one public service' model on the Island, and through the strategic partnership with HFRS, officers are fully engaged with these discussions and are establishing relationships across blue light and public sector partners. The IWFRS and HFRS are committed to helping deliver the 'one public service' vision on the Island and enabling closer working with Hampshire Constabulary and the Isle of Wight Ambulance Service. A change in governance arrangements may provide more strategic capacity within the fire and rescue service to help move this vision forward.

## FINANCIAL IMPLICATIONS

19. From the initial investigations, it is clear that the overall business case for the creation of a new CFA must go well beyond only the financial considerations. A detailed financial analysis would need to be included in a full business case. At this stage, however each authority's finance officers have undertaken a high level financial analysis, together with a range of technical calculations that provides data against which to consider the overall initial business case.
20. The approved net budgets for HFRA and IWFRS for 2018/19 are shown in the table below.

	<b>£'000</b>
HFRA	64,727
IWFRS	7,160

21. The costs above represent a like for like comparison of the total cost of providing fire and rescue services for both authorities.
22. The key assumptions made in undertaking the financial analysis are detailed below:
- Baseline figures have been calculated for 2018/19.
  - Funding transfer will be based on the estimated IWFRS service costs for 2018/19 less agreed savings amounting to £278,000.
  - No transfer of debt, direct overheads or provision for repairs and maintenance. These costs have been assumed to remain with the council along with equivalent council tax income. In total these are estimated to amount to £1.025 million but are apportionments of the council's total costs which are not separately identifiable to the fire and rescue service.
  - Funding equivalent to the value of Fire Revenue Support Grant plus a share (5.65 per cent) of retained and top up business rates to transfer to the new combined authority (this is a technical adjustment and would need to be confirmed with government).
  - An equivalent share of reserves and balances and any earmarked funding for capital spend to be transferred, as at the date of transfer along with all existing IWFRS assets.

23. The process of creating a new CFA is both technical and complex on the financial side and has to ensure that no organisation would be in a worse financial position than it otherwise would have been.
24. One of the key benefits to the council would be the transfer of significant property (around £3 million in capital) and fleet liabilities that would otherwise need to be met, along with the opportunity to make some revenue savings in overheads without the equivalent loss of council tax income.
25. For a potential new CFA, the transfer of these liabilities may be offset to some extent by the additional council tax revenue arising through council tax harmonisation, together with the potential to make greater efficiencies as a larger CFA. It is anticipated that this will provide sufficient funding headroom to meet the liabilities and to gain greater control over how improvements to the estates and vehicles are achieved.

### Council tax

26. In investigating the initial business case, one of the key issues to consider in the potential creation of a new CFA is achieving council tax harmonisation across the whole of the area covered by the CFA. For Isle of Wight residents there would be a need to take out the IWFRS element from the general council tax precept for all council services and replace it with a new, separately identifiable precept for the new CFA. Effectively, residents will see this as a separate line on their bills in the same way as they do for police services.
27. A notional IWFRS council tax amount has been calculated by taking the net expenditure amount (£6.125 million), excluding overheads and then deducting that proportion of revenue support grant and business rate income it is estimated relates to the provision of that service. The notional council tax figures are annual figures for a band D property.
28. This gives a notional council tax for the IWFRS of £63.51, which is £2.23 lower than the 2018/19 council tax for HFRS of £65.74. A potential new CFA would need to agree with government a process of council tax harmonisation across the area so that all residents covered by the service are making the same contributions to it. There are a number of different options that can be applied; if, for example, council tax was harmonised at the higher of the two levels, this would give the new CFA additional income of around £118,000 per annum, which will help to offset some the liabilities identified with the IWFRS.
29. At this stage therefore, it is felt that the financial situation provides a positive opportunity to enter a public consultation exercise, the finer details of the financial analysis will need to continue as part of the development of a full business case.
30. The team carrying out the investigations, which consists of officers from both Hampshire and the Isle of Wight, has been funded from existing budgets. Should there be agreement to proceed to public consultation and the creation of a full business case, a joint team would continue this work and be resourced from existing budgets.

31. Should there be a further decision to create a new CFA, following consultation and the creation of a full business case, an implementation team will be required to deliver the project and the resourcing of this would be considered as part of the full business case. Discussions with the Home Office will continue to determine whether any financial support for implementation is available.

## LEGAL IMPLICATIONS

32. 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.
33. A new Combined Fire Authority (CFA) would be established consisting of 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 IWFRS (Isle of Wight Council) legal representatives. All existing employees of the IWFRS would transfer into the new CFA.
34. 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 full business case.
35. 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.

36. On 21 February 2017 the executive committed to preparing a business case for full council's consideration that examined the potential for a combined authority

with Hampshire, Portsmouth and Southampton. The proposed consultation will inform the detailed business case. Ultimately it is the Secretary of State who makes the final decision.

## STRATEGIC CONTEXT

37. 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 made up of Hampshire, Southampton, Portsmouth and the Isle of Wight:
- 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

38. The process being followed requires a 12 week consultation exercise on the proposals, in order to inform the completion of a detailed business case for the creation of a new CFA across Hampshire, Portsmouth, Southampton and the Isle of Wight. This consultation is only necessary however, if members are minded to accept the reasons for the development of a new CFA as identified in the outline business case discussed within this paper.
39. Two separate consultation exercises will be required if members wish to proceed along these lines, one would be carried out in Hampshire and the other on the Isle of Wight. A report back to the HFRA and the council would be expected in October or November 2018.
40. 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.

## EQUALITY AND DIVERSITY

41. 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.

42. An equality impact assessment has been completed and shows no impact should the council choose the recommended options. 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

43. 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.
44. 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

45. The following options are available to the council:
  - I. Accept the outline business case for the creation of a new combined fire authority and agree to the development of a full business case for the potential new authority covering the Hampshire, Portsmouth, Southampton and Isle of Wight area.
  - II. Undertake a minimum 12 week consultation exercise on the Isle of Wight to inform the development of the detailed business case by securing the widest range of views on the benefits and dis-benefits of a new combined fire authority.
  - III. To maintain the existing strategic partnership with the Hampshire Fire and Rescue Service and not proceed with consultation on the creation of a new combined fire authority.

### RISK MANAGEMENT

46. 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 detailed business case 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.
47. Hampshire Fire and Rescue Authority has supported the development of the outline business case for a new combined fire authority but, like the council, it still needs to make a formal decision to develop a detailed business case informed by a wide ranging public consultation exercise. The development of a new CFA cannot proceed without the support of both parties at this stage or indeed at the final stage when the detailed business case is complete.



48. 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 detailed 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.
49. 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 detailed 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.
50. Risk Management practices have been applied throughout the investigation of the creation of a new CFA. Appendix A clearly 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

51. The initial investigations that have informed this report demonstrate 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. There are sufficient benefits to warrant further investigation and the creation of a full business case informed by wide ranging public consultation.
52. 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, some of which are capable of being misunderstood under the terms of the current strategic partnership.
53. 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.
54. 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.
55. 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, assisting with retention rates and high performance.

56. 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.
57. 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

58. On the basis of the information contained in this report and provided that HFRA agrees to the same recommendations, it is recommended that the council adopt options 1 and 2 and:
- 1 Accepts the outline business case for the creation of a new combined fire authority and agree to the development of a full business case for the potential new authority covering the Hampshire, Portsmouth, Southampton and Isle of Wight area.
  - 2 Undertakes a minimum 12 week public consultation exercise on the Isle of Wight to inform the development of the detailed business case by securing the widest range of views on the benefits and dis-benefits of a new combined fire authority.

#### APPENDICES ATTACHED

[Appendix A](#) - Risks and benefits analysis.

[Appendix B](#) - Police and crime commissioner (PCC) letter.

#### BACKGROUND PAPERS

[February 2017 IWC Executive report on IMPLICATIONS OF THE POLICING AND CRIME ACT 2017](#)

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