

## Leader of the Council



Via Email: [MinisterforPolicingandFire@homeoffice.gsi.gov.uk](mailto:MinisterforPolicingandFire@homeoffice.gsi.gov.uk)

The Rt Hon Nick Hurd, MP  
Minister of State for Policing and the Fire Service  
Home Office  
2 Marsham Street  
London  
SW1P 4DF

**David Williams**  
**County Councillor**  
**Harpden North East**

County Hall  
Postal Point: CH0238  
Pegs Lane  
Hertford  
SG13 8DE

Tel: 0300 123 7441

E: [david.williams@hertfordshire.gov.uk](mailto:david.williams@hertfordshire.gov.uk)

22 June 2018

Dear Nick

I am writing to provide you with Hertfordshire County Council's representation on the Police and Crime Commissioner's (PCC's) local business case addendum, as requested in Scott McPherson's letter to me of 15 June 2018.

In addition to this letter, I also attach a summary of our analysis, along with a copy of the report considered by Cabinet at its meeting of 18 June 2018.

In our view the PCC's proposition, now including the addendum, remains flawed and therefore offers no sound basis for supporting a potential decision to implement a complex and highly disruptive change in governance for a highly performing and well-regarded Fire & Rescue service. It would also be costly – we estimate that transition costs will be at least £1.3m, including the need to establish separate systems for the new entity.

It is flawed financially, as the basis of proposed back office savings remains to compare current costs to an incomparable benchmark with no assessment of the potential achievability of this benchmark. In addition, the estimates of capital savings remain high level, with no evidence of whether the claimed net capital receipts are realistic or achievable.

It is flawed operationally, as it proposes the re-configuration and closure of fire stations, driven purely by potential financial savings. The Local Business Case (LBC) and its addendum do not provide sufficient recognition that operational locations can only be considered as part of an overall assessment of fire and public safety risks rather than mainly focusing on proximity to existing police assets.

It is flawed democratically, as it suggests that local consultation on such significant changes as set out in the addendum could happen in the future, but only after a decision on the business case and its addendum have been made.

Therefore, the Council remains of the view that the LBC and its addendum do not meet the statutory tests regarding economy, efficiency and effectiveness or public safety. The flawed nature of the information included in both the original business case and the new addendum, means this cannot be a sound basis on which to make such a significant decision.

However, the Council is also very concerned about the impact on the Fire Service of the prolonged uncertainty caused by this process. We would therefore be keen to see a rapid resolution. The Council is deeply committed to building on the existing strong relationships between the Fire & Rescue Service and the Hertfordshire PCC and constabulary. We would like to press ahead with planning for a new Integrated Risk Management Plan – which has to be the operational driver of all decisions about Fire and Rescue assets and operations. To this end, Members on our Cabinet Panel responsible for Fire have, this week, formally asked the Chief Fire Officer to begin the work to achieve this.

As an integral part of this work, we remain committed to working closely with the Police and Crime Commissioner to identify and implement opportunities to achieve ever greater levels of blue light collaboration in Hertfordshire, without incurring the disruptive, complex and costly work that extracting the Fire and Rescue Service from within the County Council would necessitate.

We believe this would provide the best, and most cost effective, solution that also continues to prioritise the safety of all Hertfordshire residents.

In addition, we will of course co-operate fully with the representatives of CIPFA to support their proposed assessment of the LBC addendum, and I understand these meetings will happen in the next few days.

Yours sincerely

A handwritten signature in blue ink that reads "David Williams".

David Williams  
Leader of the Council

cc:

Scott McPherson, Director General Crime, Policing and Fire Group, Home Office  
Matthew Watts, Home Office  
David Lloyd, Police & Crime Commissioner for Hertfordshire  
Hertfordshire MPs  
Cllr Terry Hone, Executive Member for Community Protection, Hertfordshire County Council

## **SUMMARY ANALYSIS OF THE LBC ADDENDUM**

### **1. Summary of Flaws in the LBC Addendum**

- 1.1 County Council officers have co-operated fully and provided all information requested to the PCC's officers. Whilst there has been a high level of co-operation in this regard, it should be made clear that HCC officers have not been invited to contribute to the addendum and this joint working should not be construed as support for its contents.
- 1.2 HCC's response to the LBC last summer highlighted our concern that the claimed savings are mainly high-level estimates, with little detail on how they would be achieved. The addendum does nothing to review or revisit this approach or the methodology used to estimate savings; it simply replaces previous calculations with the latest data. As a result, these fundamental inaccuracies remain.

#### **Claimed Savings from Back Office Services**

- 1.3 The benchmarking approach in the LBC is flawed in that it fails to include all the back-office services utilised by HFRS. The addendum suggests an average benchmark of £2.045m for the cost of HR, finance and IT services and claims that this would represent a saving of £0.679m against the cost of the existing provision. However, in addition to HR, Finance and IT services, the HCC cost also includes charges for services such as insurance, legal, property management and related fees, internal audit and communications. By omitting these services from the benchmark comparison, it is not surprising that the cost appears lower.
- 1.4 Even if the basis was comparable, these savings remain theoretical and there is no assessment of whether such aspirational "top quartile" performance would be achievable within a small organisation. Indeed, in other back office areas it is clear that PCC costs are higher. Savings are included in the business case for pensions administration. Currently, police administration costs £33.75 per member, whereas fire costs £19.38 per member. The business case assumes that transferring fire will enable police administration costs to be reduced, but it is not clear how this would be achievable.

#### **Claimed Capital Receipts from Estates Consolidation**

- 1.5 The addendum includes estimates of potential build/merge costs and forecast capital receipts from the four assets initially identified in the addendum as being suitable for consolidation. The addendum recognises that the forecast receipts are high level assessments that require further validation, but there is no evidence provided to justify these valuations.
- 1.6 None of the proposed estate changes require governance change to achieve them and the high-level analysis and assumptions do not recognise the extensive work already undertaken to assess the potential for change. For example, Council officers have assessed 18 potential sites for a new fire station

to serve Hertford and have not yet identified a suitable location. All have been rejected because they would have an unacceptable impact on response times.

- 1.7 As such, it is not clear if the proposal in the addendum would require the identification of a location away from the current site – which would see the impact on response times, or re-provision on the existing site, which would suggest that a receipt of £6m seems highly optimistic

### **Council Tax**

- 1.8 Council officers have worked closely with KPMG and the PCC's office and provided full details on the level of grants and overall approach to the calculation of the council tax precept (there are no grant notifications from Government to councils, police or fire authorities beyond 2019/20). Much of this approach is included in the addendum. There are however two key issues to note:

- The starting point for the precept calculation remains the budget figure. This is not agreed by HCC as it stands, and it will require finalisation following all decisions taken in any negotiation
- The 2018/19 council tax levels for Fire and residual County Council amounts should have been included as these will determine the alternative notional amounts that form the baseline for referenda purposes. This would also have indicated that the budget plans proposed by the PCC currently appear to break the current referendum limits, and would require a 6% council tax increase.

### **Reserves**

- 1.9 The addendum proposes that reserves equal to 6% of spend (£2.2m) would need to transfer to the PCC. This is unreasonable and unnecessary for the following reasons:

- The County Council holds 4% in its general fund balance. It can do this because of the scale of the organisation;
- The 2017/18 accounts for the PCC outlined police fund reserves of £6m for a budget of £184m – equivalent to 3%, indicating that the PCC does not consider 6% is required; and
- Reserves are held to cover financial risk – in a county council these are principally in the demand led budgets including Adults and Children's social care. There are not similar risks within the fire service.

- 1.10 The proforma balance sheet also outlines a need to transfer a further cash amount, including cover for liabilities and the following:

*'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'*

- 1.11 There is no clear basis on why this would be reasonable or necessary as a transferred fire service would have its own funding.

1.12 Taken together, these elements seem to suggest that the PCC requires nearly £6m to effect the transfer.

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

2.1 The production of a new Hertfordshire IRMP requires extensive risk profiling and research work to provide a comprehensive understanding of the key risks facing Hertfordshire in not only the 4 year timeframe of a single IRMP, but over the course of the next 30 years. By necessity this includes assessment of developing strategic transport and infrastructure plans, proposed housing growth and the demographic challenges posed by a growing and an ageing population.

2.2 It is only by considering these strategic drivers that options for the potential location and configuration of operational sites, property assets, people and working practices can be identified and assessed, to ensure they can deliver the priorities identified by the IRMP.

2.3 The Addendum proposes changes to specific operational HFRS assets (such as the closure of Welwyn Garden City and Hatfield Fire Stations; with a replacement in a single new fire station at Police HQ) without any indication of whether such changes would be consistent with whatever the refreshed IRMP may require.

2.4 The Addendum also omits any proper consideration of the East of England Ambulance Service (EEAS) as part of this broader public service delivery. The current widespread occupation of the EEAS across the HFRS property estate is intrinsic to any decisions relating to the estate.

## **3. Conclusion**

3.1 The Cabinet of Hertfordshire County Council, with unanimous cross party support, is clear that the LBC addendum does not meet the statutory tests of economy, efficiency and effectiveness or public safety, and as such must be opposed.

3.2 The Council has not seen the report prepared by CIPFA following their independent assessment. However, the fact that further work was requested after this assessment suggests the original business case did not meet these statutory tests. Our view is that little has changed, and the flaws inherent in the original LBC remain the basis of the addendum.

**HERTFORDSHIRE COUNTY COUNCIL**

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

Agenda Item No.

**12**

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

Author: Owen Mapley, Director of Resources

Executive Member: Terry Hone, Community Safety & Waste Management

**1. Purpose of report**

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

**2. Summary**

- 2.1. The Hertfordshire PCC submitted a 'Local Business Case' (LBC) to the Home Office in August 2017 that proposed that the PCC should become the Fire and Rescue Authority for Hertfordshire. This submission followed a public consultation during which Cabinet, drawing on the unanimous position of all 78 County Councillors, made clear its strong objection to this proposal.
- 2.2. The Home Office subsequently commissioned CIPFA<sup>1</sup> to perform an independent analysis of the LBC. Whilst the Council has not been given sight of CIPFA's analysis, the Minister of State for Policing and the Fire Service wrote to the Hertfordshire PCC in mid-April seeking further information, including greater clarity on the savings proposed in the LBC, in order to make a proper assessment of the proposal. The Minister also wrote to the Leader of the Council asking the Council to work with the PCC and provide appropriate information as requested by the PCC.
- 2.3. The PCC submitted an addendum to the LBC to the Policing and Fire Minister on 8 June. It is not yet clear what process the Home Office may follow to consider the information provided in the addendum. The Minister's letter to the

---

<sup>1</sup> The Chartered Institute of Public Finance & Accountancy

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

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

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

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

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

### **3. Recommendations**

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

- 3.2 That Cabinet:

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

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

#### **Claimed Savings from Back Office Services**

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

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

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

#### **Claimed Capital Receipts from Estates Consolidation**

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

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

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

- 5.2. The current IRMP (2014-2018) for Hertfordshire will need to be refreshed by March 2019. Whilst preparatory work to inform a new IRMP has been undertaken, the prolonged uncertainty caused by the ongoing consideration of potentially significant governance change has hampered the progression of this work.
- 5.3. The production of a new Hertfordshire IRMP requires extensive risk profiling and research work to provide a comprehensive understanding of the key risks facing Hertfordshire in not only the 4 year timeframe of a single IRMP, but over the course of the next 30 years. By necessity this includes assessment of developing strategic transport and infrastructure plans, proposed housing growth and the demographic challenges posed by a growing and an ageing population.
- 5.4. It is only by considering these strategic drivers that options for the potential location and configuration of operational sites, property assets, people and working practices can be identified and assessed, to ensure they can deliver the priorities identified by the IRMP.
- 5.5. The Addendum proposes changes to specific operational HFRS assets without any indication of whether such changes may be consistent with whatever the refreshed IRMP may require.
- 5.6. The 'Rationalisation of estate savings' section of the LBC Addendum states:
 

*'...that a joint estates strategy would increase the number of co-occupied police and fire 'Community Safety Hubs', whilst reducing the overall size of the estate. This would raise capital receipts to invest in the development and modernisation of the estate. This could also have the benefit of improving working conditions and provide the opportunity to make community facilities available. Maintenance costs are also expected to reduce as a result of the reduced estate size.'*<sup>2</sup>

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

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

---

<sup>2</sup> Addendum paragraph 2.2

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

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

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

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

## **6. Commitment to continued collaboration**

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

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

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

## **7. Equalities Implications**

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

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

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

### *Background Documents*

#### [Cabinet Documents 15 July 2017](#)

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

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