

# Independent Assessment of the Proposal for a PCC-style FRA for Herefordshire, Worcestershire and Shropshire

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# 1. Introduction

## Requirement for Independent Assessment

- 1.1. The Policing and Crime Act 2017 received Royal Assent on 31st January 2017 and introduced a range of measures to enable closer collaboration between the emergency services. In particular, it enables Police and Crime Commissioners (PCCs) to take on the governance of their local fire and rescue service, where a local case is made, and establish a PCC-style Fire and Rescue Authority (FRA), under one of the following three models:
  - Option 1: Representation model, which enables the PCC to have representation on the local FRA, with voting rights, where the FRA agrees
  - Option 2: Governance model, where the PCC takes on the functions of the FRA
  - Option 3: Single Employer model, where the PCC takes on the responsibilities of the local FRA, enabling him or her to create a single employer for police and fire personnel
- 1.2. Whichever model the PCC recommends, the intention is to provide an opportunity to drive innovative reform across both services and bring the same direct accountability to fire as exists for policing.
- 1.3. The PCC for West Mercia commissioned a Local Business Case (LBC) which recommended the Governance model. A consultation exercise was undertaken on this basis. If, in response to the consultation, a relevant local authority indicates that it does not support the PCC's proposal, the Home Secretary is required to obtain an independent assessment of the proposal and take account of its findings in making the final decision on whether or not to approve the PCC's proposal.
- 1.4. This is the case in West Mercia and hence the proposal has been subject to an independent assessment undertaken by CIPFA. This document details that independent assessment. It will be submitted to the Home Secretary for her consideration in the decision making process.

## Statutory Tests

- 1.5. In his letter requesting that CIPFA should undertake an independent assessment of West Mercia's proposal (Appendix A), the Minister of State for Policing and the Fire Service made it clear that our independent assessment must provide a view on whether the proposal meets the statutory tests.
- 1.6. These tests cover whether, in our view, the proposal is in the interests of economy, efficiency and effectiveness (the 3Es) and whether the proposal will have an adverse effect on public safety.
- 1.7. The letter also states that "Whilst the conduct of the assessment is of course a matter for you, I would ask you, in particular, to provide your view on the potential savings and proposed transition costs as a result of the transfer of governance", as set out in Appendix A.

- 1.8. In our discussions with Home Office representatives, further clarification has been provided regarding our remit on public safety. It has been emphasised that our focus is on economy, efficiency and effectiveness (the 3Es) and that, in terms of public safety, we are only expected to comment where we identify something on which comment is required. Accordingly, we have focused our attention on economy, efficiency and effectiveness, although we will comment on public safety later in our report.
- 1.9. For the purposes of the independent assessment we have used the following definitions provided by the National Audit Office:
- **Economy:** minimising the cost of resources used or required (inputs)
  - **Efficiency:** the relationship between the output from goods or services and the resources to produce them (process)
  - **Effectiveness:** the extent to which objectives are achieved and the relationship between the intended and actual results of public spending (outcomes).

## 2. Work Undertaken

- 2.1. As the Independent Assessor we have been asked to review the West Mercia PCC's proposal to transfer governance of both Hereford and Worcester Fire and Rescue Service (HWFRS) and Shropshire Fire and Rescue Service (SFRS) to the PCC in their entirety, and to provide a view on whether we consider that either of the relevant statutory tests have been met or whether there would be an adverse effect on public safety.
- 2.2. As suggested in the letter from the Home Secretary we have engaged with the Office for the PCC for West Mercia, the Hereford and Worcester Fire and Rescue Authority (HWFRA), the Shropshire and Wrekin Fire and Rescue Authority (SFRA), Herefordshire Council, Shropshire Council, Worcestershire County Council and Telford and Wrekin Council. We have also had due regard to the requirements set out in Annex A to the Minister of State for Policing and the Fire Service's letter (see Appendix A of this independent assessment).
- 2.3. In order to reach our conclusions we have:
  - Read the Local Business Case submitted by the PCC;
  - Read the Consultation Report, the written responses and the PCC's response thereto;
  - Reviewed a wide range of other documents supplied by the Office of the Police and Crime Commissioner (OPCC) and the two FRAs (see Appendix B);
  - Interviewed the PCC, John Campion;
  - Interviewed a range of officers from the OPCC including the S.151 officer;
  - Interviewed the Chief Constable and a range of officers from West Mercia Constabulary including the S.151 officer;
  - Interviewed the Chief Fire Officers and a range of officers from Hereford and Worcester Fire and Rescue Service and Shropshire Fire and Rescue Service including the S.151 officers;
  - Interviewed a range of Councillors who serve as members of either the Hereford and Worcester Fire and Rescue Authority or the Shropshire and Wrekin Fire and Rescue Authority including the Chair of each of these Authorities;
  - Interviewed a range of Councillors and officers representing Herefordshire Council, Shropshire Council, Worcestershire County Council and Telford and Wrekin Council.
- 2.4. A full list of those interviewed is attached at Appendix C.
- 2.5. Our work was carried out between 21 November 2017 and 5 January 2018. The in-person interviews were conducted on 7<sup>th</sup> December 2017 in Shrewsbury and 11<sup>th</sup> and 12<sup>th</sup> December 2017 in Worcester. Telephone interviews were also held on these dates with people unable to attend in-person.
- 2.6. We have been able to access all the information that we required and we have been able to speak to all those individuals that we deemed necessary.

### 3. Public Consultation on the LBC

#### Public Consultation Process and Response

- 3.1. Consultation on the LBC was undertaken by staff of the OPCC. We understand that the public consultation took place over a 13 week period between 12<sup>th</sup> June and 11<sup>th</sup> September 2017.
- 3.2. We understand that views were sought from statutory consultees, a range of stakeholders and the public on the PCC's proposal. Public consultation was in the form of a Consultation Questionnaire published on the PCC's website together with supporting documents which, we understand, included highlights from the Initial Business Case and a "Consultation Q&A" produced by the PCC.
- 3.3. The Consultation Questionnaire stated that the PCC's proposal would result in:
- Estimated £4m annual savings through improved efficiencies
  - Closer collaboration between police and fire services
  - Improved resilience for ensuring public services
  - No changes to frontline officers or services
  - A system of a directly elected Police, Fire and Crime Commissioner
- 3.4. The Consultation Questionnaire then asked if respondents supported the PCC's proposal and the main reasons for either supporting or opposing the proposal (with the following choices being provided 1) Financial considerations; 2) Service resilience; 3) Levels of collaboration; 4) Replacing the existing Fire and Rescue Authorities; 5) Other. The Consultation Questionnaire also asked respondents in what capacity they were responding with the following choices being provided 1) An individual member of the community; 2) On behalf of a business; 3) As an employee or volunteer of the police or fire service; 4) As a local councillor or on behalf of a local council.
- 3.5. Thus, the public consultation focused only on the proposal put forward by the PCC and the benefits that the PCC considered would result from this proposal (stated as fact). The public consultation did not seek respondents' views on which of the three models considered in the Initial Business Case (Representation, Governance or Single Employer model) they preferred.
- 3.6. We understand a total of 1,279 Consultation Questionnaire responses were received by the OPCC. Of these 792 (61.9%) supported the PCC's proposal. 487 respondents (38.1%) opposed the proposal. Table 1 of LBC: Annexes and Appendices also sets out the percentage supporting or opposing the PCC's proposal based on the capacity of the respondent. This is reproduced below:

<b>Answering as/on behalf of</b>	<b>Support</b>	<b>Against</b>
An individual member of the community	64%	36%
A business	87%	13%
As an employee or volunteer with the police or fire service	37%	63%
As a councillor or on behalf of	33%	67%

a council		
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- 3.7. It would appear, from these statistics, that there is marked degree of difference between different stakeholder groups in relation to the PCC's proposal.
- 3.8. The primary reason for supporting the PCC's proposal expressed by respondents to the Consultation Questionnaire was "Financial considerations" (67.2%). The primary reason for opposing the PCC's proposal expressed by respondents to the Consultation Questionnaire was "Replacing the existing Fire and Rescue Authorities (53.1%).
- 3.9. In addition to the 1,279 responses to the Consultation Questionnaire, a further 28 written submissions were received by the OPCC. The LBC states that, of these, 26 (93%) were opposed to the PCC's proposal and 2 (7%) supported the PCC's proposal. A summary of written submissions made in response to the public consultation from specific stakeholder groups is set out below:

<b>Respondent type</b>	<b>Summary of responses</b>
Upper tier authorities	All four upper tier authorities oppose the PCC's proposal.
Representative bodies of affected personnel	Both Hereford and Worcester Fire Brigade Union (FBU) and Shropshire Fire Brigade Union (FBU) oppose the proposal. The Association of Principal Fire Officers also opposes the PCC's proposal. The Fire Officers' Association support the proposal in principle.
Second tier authorities	Four second tier authorities made written submissions and all oppose the PCC's proposal.
Town/Parish Councils	Ten Town and Parish Councils and one association of local councils made written submissions. All were opposed to the PCC's proposal.
Fire and Rescue Authorities	Both of the Fire and Rescue Authorities affected by the PCC's proposal made written submissions and oppose the proposal.

- 3.10. In addition, a letter was received by the PCC from a local MP which was dated after the public consultation had ended (LBC: Annexes & Appendices (Annex 1 - Appendix L) that did not explicitly support or oppose the proposal.

## **Comments and Objections**

- 3.11. Comments in favour and objections to the PCC's proposal were captured through the process of public consultation; with written submissions in response to the public consultation carried out by the PCC being received from all four upper tier authorities and the two affected FRAs. More detail on the public consultation undertaken in relation to the PCC's proposal is included in the LBC: Annexes and Appendices. This volume of the LBC also contains the PCC's responses to Hereford Council, Shropshire Council, Telford and Wrekin Council, Worcestershire County Council, Hereford and Worcester FBU, Shropshire FBU, the Association of Principal Fire Officers and the Fire Officers' Association.

## **Conclusion on Consultation**

- 3.12. The public consultation did not ask for views on the different options considered in the LBC. Whilst, 61.9% of respondents to the Consultation Questionnaire did express support for the proposal (as worded by the PCC), the process of public consultation together with the work undertaken in completing this independent

assessment has revealed that there are very strongly held views on both sides of the debate amongst particular stakeholder groups.



## 4. Local Business Case Review

### Introduction

- 4.1. The Local Business Case (LBC) submitted by the Police and Crime Commissioner for West Mercia (the PCC) to the Home Office in October 2017 was set out in two volumes. The first volume is set out in the following sections:
  1. Introduction and Executive Summary
  2. Process
  3. Strategic Case
  4. Economic Case (Options Assessment)
  5. Commercial Case
  6. Financial Case
  7. Management Case
  8. References
- 4.2. The second volume of the LBC titled Annexes and Appendices contains information relating to the public consultation process together with the responses of the PCC to written submissions made by a number of bodies (see 3.11 above).
- 4.3. In undertaking this independent assessment on behalf of the Home Office we have reviewed all sections of the LBC with a particular focus on those elements of the LBC which are pertinent to the statutory tests in relation to economy, efficiency and effectiveness in line with the focus of our remit (see Section 1 above). Where appropriate we have highlighted those sections dealing with risk which bear directly on implementation and effectiveness. We have, in addition, summarised a number of comments and issues relating to public safety (see 4.86 – 4.90 and 5.22 - 5.23 below).

### Choice of Preferred Model in the LBC

- 4.4. The choice of the PCC's preferred option of the Governance model is based on an evaluation, undertaken by the OPCC with the support of external consultants, of three options. These are:
  1. Representation model (also referred to as "Sustaining the current trajectory") in the LBC);
  2. Single Employer model;
  3. Governance model (referred to as "Joint Governance" in the LBC).
- 4.5. It appears the nature of the "Sustaining the current trajectory" model has changed from the initial version of the LBC (June 2017) to the final version of the LBC (October 2017). The initial version of the LBC specifically states "Sustaining the current trajectory means proposing no change in the governance arrangements of the respective services" (see 5.2.1 of the Initial Business Case). Therefore, it would appear the option being considered by the PCC at that time was a "No change" option rather than the Representation model.
- 4.6. The final version of the LBC states "The existing agreement to make use of the representation option would be pursued" (see Section 4.1.1 of the Final Business Case). Since it would appear, from this, the two affected FRAs have accepted the Representation model as an acceptable change to current governance

arrangements, the “No change” option is not considered in the final version of the LBC and the Representation model represents “Sustaining the current trajectory”.

4.7. The introduction to the Economic Case (Section 4 of the LBC) identifies the following factors as being used in assessing the three options considered (see 4.4 above):

- Scale of benefits
- Public safety
- Effectiveness
- Economy and efficiency
- Ease of implementation

4.8. In the following sections of this report we review the contents of the LBC in relation to the Governance model (referred to as Joint Governance in the LBC), the option recommended by the PCC. It is noteworthy that the LBC provides relatively limited information or structured analysis about the other options considered in the LBC (the Representation and Single Employer models). We have, therefore, restricted our comments on these two options to those which can assist in providing a rounded assessment of the PCC’s proposals in relation to the Governance model (see Appendix D).

4.9. The lack of comparative financial or other information on the Representation and Single Employer models makes it difficult for readers of the LBC to get a true picture of the impact of the proposed change to a Governance model and to compare the relative merits of the different options.

## **Governance model (referred to as Joint Governance in the LBC)**

### **Economy and efficiency**

4.10. The economic benefits suggested by the LBC in relation to the Governance model (referred to as Joint Governance in the LBC) are summarised in the Introduction and Executive Summary (Section 1 of the LBC) as being in relation to the following items:

<b>Item</b>	<b>Total over 10 years</b>	<b>Average pa</b>	<b>NPV</b>
Joint Governance	£1.6m	£157k	£1.3m
Integration of Fire Command Structure	£5.0m	£504k	£4.1m
Integration of Shropshire Command Centre	£5.6m	£560k	£4.7m
Alignment of ICT and Outsourced Services	£5.7m	£574k	£4.4m
Premises Sharing	£2.0m	£203k	£1.7m
Consolidation of Supporting and Enabling Services	£10.7m – £26.4m	£1.07m - £2.6m	£8.9m – £21.9m
<b>Lower</b>	<b>£30.6m</b>	<b>£3.1m</b>	<b>£25.1m</b>
<b>Upper</b>	<b>£46.3m</b>	<b>£4.6m</b>	<b>£38.1m</b>

Source: LBC

4.11. As is illustrated above, the extent of potential savings suggested in the LBC from adoption of the Governance model is expressed in a range, with potential savings stemming from “Consolidation of Supporting and Enabling Services” varying by a

significant factor (the upper range of potential savings being around two and a half times the lower range).

- 4.12. The savings set out in the table above need to be considered in the context of the total spend by the Police and Fire Services. The LBC (see Sections 3.2.17 – 3.2.18 of the LBC) identifies a total 2017/18 budget for the three services of £264.9m (made up of £212.0m for West Mercia Police, £31.6m for HWFRS and £21.3m for SFRS).
- 4.13. The savings set out above are net savings. The LBC does not detail overall gross savings, recurring costs or implementation/transition costs that underpin the net savings identified; proposed transition costs being a subject that the Minister of State for Policing and the Fire Service particularly asked us to provide a view on in undertaking this independent assessment of the LBC (see 1.7 above).
- 4.14. We have had access to working papers, provided to us by the West Mercia OPCC, that support the net savings identified in relation to the Governance model. Where appropriate and in order to meet the Minister of State’s request that we provide a view on proposed transition costs, we have utilised the information contained in these working papers to describe and comment on the proposals in the LBC.
- 4.15. Each of the six items for which net savings have been identified in the LBC (see 4.9 above) is described in the Economic Case (Options Assessment) of the LBC (see Pages 30 – 31 of the LBC). Each item is considered in more detail below.

#### Joint Governance

- 4.16. The savings identified in relation to Joint Governance relate to proposed changes in governance arrangements if the Governance model is adopted in April 2018. The identified savings relate to:

<b>Category</b>	<b>Year 1 (2018/19)</b>	<b>Years 2 – 10 (2019/20 – 2027/28)</b>	<b>Total (over 10 years)</b>
Abolition of Hereford and Worcester FRA	£52,900	£52,900 per annum	£529,000
Abolition of Shropshire FRA	£86,136	£86,136 per annum	£861,360
Shropshire FRA Support	£3,750	£5,000 per annum	£48,750
Hereford and Worcester Support	£44,850	£59,800 per annum	£583,050
Hereford and Worcester Legal Services	£62,100	£82,800 per annum	£807,300
<b>Total</b>	<b>£249,736</b>	<b>£286,636 per annum</b>	<b>£2,829,460</b>

Source: CIPFA analysis of OPCC/external consultants’ working papers

- 4.17. The profile of savings suggests that the savings in relation to the abolition of the two FRAs can be achieved by the commencement of Year 1 (2018/19). The profile of savings also suggests that the savings in support and legal services can be achieved by the commencement of the 2<sup>nd</sup> quarter of Year 1 (2018/19).

4.18. These savings identified from adoption of the Governance model are offset by additional costs totalling £1,257,750 over 10 years; giving a net saving of £1,571,710 over 10 years.

4.19. These additional costs relate to:

- Additional staff (policy officers) in the proposed Office of the Police Fire and Crime Commissioner (OPFCC) amounting to £67,500 in Year 1 and £90,000 pa in Years 2 – 10; totaling £877,500 over 10 years;
- Fire Ambassadors/Assistant Police Fire and Crime Commissioner (PFCC) amounting to £29,250 in Year 1 and £39,000 pa in Years 2 – 10; totaling £380,250 over 10 years.

4.20. There are no additional costs identified, in relation to, for example, any implementation/transition costs that might be incurred in achieving the net savings identified in relation to this item of joint governance.

4.21. The provenance of these estimates, as with all in the LBC, is unclear. The financial figures were collated by the PCC’s external consultants and shared, at a high level, only with the OPCC. We understand the FRA’s Chief Financial Officers provided budget information to the external consultants but do not appear to have seen detailed working papers to support the LBC figures.

4.22. In relation to governance costs there appear to be two different approaches. For HWFRA savings have been assumed for the monitoring officer role, committee support and legal advice and none for any internal support to the FRA. For SFRA a small saving for some part time support to the FRA from within the FRS has been assumed. The latter excludes the current costs of the monitoring officer and legal advice provided by Telford and Wrekin Council.

4.23. Whilst there is a lack of clarity in the LBC about the exact potential saving, it seems reasonable to conclude that there would be some direct financial benefit from a change in the governance arrangements even after taking into account additional costs to be borne by the PCC.

#### Integration of Fire Command Structure

4.24. The savings identified in relation to “Integration of Fire Command Structure” relate to the proposed rationalisation of organisational structure at Chief Officer and Head of Function levels. The identified savings relate to:

<b>Category</b>	<b>Period of savings</b>	<b>Saving per annum</b>	<b>Total (over 10 years)</b>
Senior Fire Officers	Year 4 – Year 10 (2021/22 – 2027/28)	£305,500	£2,138,500
Heads of Function	Year 3 – Year 10 (2020/21 = 2027/28)	£274,482	£2,195,856
Heads of Function	Year 2 – Year 10 (2019/20 = 2027/28)	£104,052	£936,468
<b>Total</b>			<b>£5,270,824</b>

Source: CIPFA analysis of OPCC/external consultants’ working papers

4.25. It is the stated intention (see Page 30 of the LBC) to transition to the new structure over a number of years if the Governance model is adopted; this is to “sustain

Chief Officer capability and internal capacity in the medium term to provide leadership support and enable the transition". At Head of Function level "it is the intention to move more rapidly to deliver a consolidated structure and reduce the headcount and costs". This is reflected in the profile of the identified savings.

4.26. These proposed savings from adoption of the Governance model are offset by redundancy costs of £135,000 (between Year 1 and Year 3) and "actuarial strain" (early payment of pension benefits) costs of £95,400 (between Year 1 and Year 3); giving a net saving of £5,040,424 over 10 years.

The proposed organisational structure in 2018 is illustrated in Figure 4 (Page 48 of the LBC). The reformed organisational structure planned for April 2021 is illustrated in Figure 5 (Page 49 of the LBC). The LBC states "The change in governance will allow the establishment of an integrated command structure that embraces police and fire services in relation to matters on which the services can collaborate" (Section 7.2.1 of the LBC). The LBC also states that this will allow "a new structure which will allow more streamlined, collaborative working and make efficiency savings. The police and fire services will continue to plan and operate independently on matters which concern their own responsibilities".

4.27. As Figures 4 and 5 in the LBC identify, the proposed reorganisation would see a reduction in the number of Chief Fire Officers from two to one. It would also see a reduction in Deputy Chief Fire Officers from two to one. In effect, this means the Chief Fire Officer and Deputy Chief Fire Officer would both be shared by Hereford and Worcester Fire and Rescue Service and Shropshire Fire and Rescue Service.

4.28. During the course of undertaking this independent assessment, the point was made by a number of consultees that senior fire officers combine management with operational duties and expressed the concern that the proposed change to the Fire Command Structure might weaken operational resilience particularly across such a large geographic footprint.

4.29. In relation to financial values the savings for the senior posts identified do not appear unreasonable. However, we understand the redundancy and actuarial strain cost estimates have been based on West Mercia Police experience of similar change exercises. The cost estimates are based on averages and reflect re-organisations at a lower level than envisaged in the LBC. Whether the changes proposed can be achieved within the provision for severance costs made is questionable.

4.30. The LBC also makes no reference to any consequential cost increases that may arise such as pay uplifts for staff taking on these duties or interim support whilst the re-organisation is completed.

#### Integration of Shropshire Command Centre

4.31. The savings identified in relation to "Integration of Shropshire (Fire) Command Centre arise directly from the PCC's planned closure of the Shropshire Fire and Rescue Service Control Room, based in Shrewsbury, if the Governance model is adopted in Year 1 (2018/19). The identified savings relate to:

<b>Category</b>	<b>Year 1 (2018/19)</b>	<b>Years 2 – 10 (2019/20 – 2027/28)</b>	<b>Total (over 10 years)</b>
Shropshire Fire and Rescue Staff costs	£269,100	£538,200 per annum	£5,112,900
Shropshire Fire	£50,000	£100,000 per	£950,000

and Rescue Service non-staff costs		annum	
<b>Total</b>	<b>£319,100</b>	<b>£638,200 per annum</b>	<b>£6,062,900</b>

Source: CIPFA analysis of OPCC/external consultants' working papers

- 4.32. The staff savings relate to 18 posts (i.e. the entire establishment of Shropshire Fire and Rescue Service Control Room). The profile of savings implies that all 18 posts will be vacated by October 2018, taking into account the duration of any processes required by either employment law (such as statutory consultation in relation to redundancy) or Shropshire's Integrated Risk Management Plan (IRMP). The non-staff costs are not detailed in the data provided to us.
- 4.33. These savings are offset by the following costs in Year 1 (2018/19) only: redundancy costs of £190,800 and "actuarial strain" costs of £270,000. This gives a net cost of £141,700 in Year 1 (2018/19) and net savings of £5,602,100 over 10 years.
- 4.34. At present the Shropshire Fire and Rescue Control Room operates entirely separately from other Fire and Rescue Control Rooms although there is an agreement with Hereford and Worcester Fire and Rescue Service to provide back-up to each other should either of the control rooms require this. Currently Cleveland FRS also provides third line back up to Shropshire.
- 4.35. The Hereford and Worcester Fire and Rescue Control Room is due to co-locate with West Mercia Police at the new Operational Command Centre (scheduled to become operational in 2018) at Hindip Hall in Worcester. However, we understand, Hereford and Worcester Fire and Rescue Service and West Mercia Police will continue to operate separate control systems for the foreseeable future; whilst the West Mercia Police system (which is shared with Warwickshire Police) is capable of accommodating the Fire Service this level of integration is not currently scheduled.
- 4.36. The LBC states that Shropshire Fire and Rescue Services attended 3,544 incidents in 2016/17. Of these, 1,120 were in relation to fire, 1,702 were false alarms for various reasons and 722 were for various special services including 303 road traffic collisions (see Section 3.2.10 of the LBC).
- 4.37. The LBC also states that in 2016-17 Hereford and Worcester Fire and Rescue Service attended 6,749 incidents, a small increase on the previous year. Of the calls attended, 1,887 were in relation to fire, 3,302 were false alarms for various reasons and 1,560 were for special services including road traffic collisions (see Section 3.2.10 of the LBC).
- 4.38. The proposals set out in the LBC do not provide for any additional staff (or any additional costs) at the new Control Centre in Worcester to cope with demand that would be transferred as a consequence of the proposed closure of the Shropshire Fire and Rescue Service Control Room in Shrewsbury. During our review we received confirmation from senior fire staff with experience of shared control centre operation that this change could be achieved with few or no additional staff. However, no evidence was provided to us that any detailed analysis of this proposal has been undertaken.
- 4.39. There is, naturally, significant concern within SFRS about operational integration, encompassing non-control centre work performed by the affected staff and the possible loss of non-Fire control work income. There is also a shared concern about the need to arrange appropriate back up and resilience. This would likely involve some additional costs. Equally the costs of re-organisation that are based on West

Mercia Police experience may not reflect the full costs for a long established service such as a Fire Control Centre.

4.40. In addition, during the course of undertaking this independent assessment, the view was expressed by some consultees that the PCC's planned closure is an operational matter for the respective Chief Fire Officers and may require appropriate public consultation via the SFRA Integrated Risk Management Plan. This was not a completely shared view. However, it does support our view that the pace of achieving the savings identified in the LBC might be considered optimistic as might be the scale of the savings that can be achieved.

#### Alignment of ICT and Outsourced Services

4.41. The LBC states "Police have undertaken comparisons for transactional services for HR and Finance with the Multi-Force Shared Services facility operated by Cheshire Police and are confident that substantial performance and cost gains are deliverable. Joint governance will enable a benefits case to be developed for the three organisations to deliver these together rather than separately" (see Page 31 of the LBC).

4.42. As we understand the situation, an Outline Business Case in relation to the Multi-Force Shared Services facility in respect of West Mercia and Warwickshire Constabularies was completed in June 2017. We also understand that a Full Business Case is expected to be completed in early 2018.

4.43. The LBC and supporting evidence provided to us identifies potential savings over 10 years of £5,742,906 from the "Alignment of ICT and Outsourced Services". However, £4,293,760 (75%) of these potential savings is a result of the planned collaboration between West Mercia and Warwickshire Constabularies in relation to the Multi-Force Shared Services facility discussed above.

4.44. These savings are, therefore, not contingent on the adoption of the Governance model. In our view, including these savings from Police-Police collaboration in the LBC is misleading. Indeed the LBC does appear to make that case (see 4.1.5 of LBC).

4.45. As a consequence, it is our view the potential savings from a move to the Governance Model over 10 years from "Alignment of ICT and Outsourced Services" are overstated by £4,293,760. Indeed the LBC analysis of the Representation model specifically notes that £4.3m can be saved over 10 years by WMP on its own (see 4.1.5 of LBC).

4.46. In respect of the remaining £1,449,146 of potential savings over 10 years from the "Alignment of ICT and Outsourced Services", the data provided to us suggests these represent the additional savings that would result from inclusion of Hereford and Worcester and Shropshire Fire and Rescue Services in West Mercia and Warwickshire Constabularies' plans in relation to the proposed Multi-Force Shared Services facility.

4.47. These potential savings, which represent the additionality that might result from adoption of the Governance model, are set out below:



<b>Category</b>	<b>Years 2 – 10 (2019/20 – 2027/28)</b>	<b>Total (over 10 years)</b>
SFRS Outsourced Support - Finance & payroll re: MFSS roll out	£82,584 per annum	£743,236
HWFRS Outsourced support – payroll	£40,551 per annum	£364,960
ICT system savings re: MFSS roll out to fire	£15,114 per annum	£136,026
ICT system savings re: MFSS roll out to fire	£40,456 per annum	£363,204
Finance - roll out of MFSS for fire	£80,730 per annum	£726,570
HR – roll out of MFSS for fire	£188,370 per annum	£1,695,330
<b>Total</b>	<b>£447,705 per annum</b>	<b>£4,029,346</b>

Source: CIPFA analysis of OPCC/external consultants' working papers

However, these potential savings are offset by the following costs:

- Redundancy costs in Year 1 (2018/19) only of £150,000
- "Actuarial strain" costs in Year 1 (2018/19) only of £106,000;
- Additional MFSS system set up costs in Year 1 (2018/19) only of £539,200
- Additional system operating costs of £178,500 per annum from Year 1 (2018/19 – Year 10 (2027/28) totaling £1,785,000 over 10 years.

4.48. This means there would be costs incurred in Year 1 (2018/19) of £973,700 and total costs over 10 years of £2,580,200; resulting in net savings over 10 years of £1,449,146.

4.49. The profile of the identified savings suggests that they will all be achieved by the commencement of Year 2 (2019/20) whilst significant costs (almost £1m) will be incurred in Year 1 (2018/19) by adding the two Fire Services to the proposed collaboration between West Mercia and Warwickshire Constabularies in relation to the Multi-Force Shared Services facility.

4.50. Given that the Full Business Case for this proposed collaboration between West Mercia and Warwickshire Constabularies has not yet been completed, in our view it appears optimistic for the LBC to consider that the potential savings identified by adding the two Fire Services to this proposed collaboration can be achieved by the end of the financial year 2018/19.

4.51. As noted earlier the savings estimates are based on the OPCC external consultants review of the two FRS's budgets. We understand there has been no review of these figures by the Chief Finance Officers of the FRAs. Similarly there is limited evidence to support the estimated additional set-up cost of a shared service arrangement or the costs of withdrawal from existing arrangements.

- 4.52. During the course of our review all consultees from a FRS background stressed the importance of the Retained Duty Service (RDS) model for both FRSs. A concern was raised that the savings are predicated on a significant element of self-service undertaken by staff, which is challenging for staff on such limited hours contracts. We understand experience from other FRS shared service arrangements is that additional dedicated staff are required to support RDS staff. The impact this might have on the estimated system set-up and ongoing running costs is unclear.
- 4.53. There was also concern expressed about the lack of experience of the Cheshire model in relation to Fire with the first planned onboarding of a FRS in 2018. This again raises questions about cost estimates and timing.
- 4.54. On balance whilst there are potential savings from transactional services operating on a shared service centre model the FRS specific numbers are significantly lower than the LBC would suggest, are unlikely to be delivered as quickly as suggested and will require additional substantiation.

#### Premises Sharing

- 4.55. The savings identified in relation to "Premises Sharing" relate to the combined use of premises for both Police and Fire services. The identified savings relate to:

<b>Category</b>	<b>Year 2 (2019/2020)</b>	<b>Years 3 – 10 (2020/21 – 2027/28)</b>	<b>Total (over 10 years)</b>
Combine stations	£67,500	£270,000 per annum	£2,227,500

Source: CIPFA analysis of OPCC/external consultants' working papers

- 4.56. We have been provided with a list of proposed locations for combined use, for which the annual running costs are currently £270,000 per annum. It would appear, therefore, that the profile of savings implies that all of the proposals for premises sharing will be achieved by the commencement of Year 3 (2020/21).
- 4.57. The potential savings are offset by the cost of works of £100,000 in each of Year 1 (2018/19) and Year 2 (2019/20); a total cost of £200,000. This gives a net saving of £2,027,500 over 10 years.
- 4.58. No account has been taken in the LBC of the value of any capital receipts that might be generated through premises sharing, although there is some recognition of that potential and that there would be backlog maintenance costs avoided.
- 4.59. It should also be noted that it is assumed that these savings would be achieved through the Representation model (see 4.1.5 of the LBC) and so are not considered contingent on the adoption of the Governance Model in the LBC.

#### Consolidation of Supporting and Enabling Services

- 4.60. The savings identified in relation to "Consolidation of Supporting and Enabling Services" range between £10.7m over 10 years to £26.4m over 10 years. This is the largest item of saving identified in the LBC. However, in essence these appear to be nothing more than a target range of savings. As the LBC states (see Page 31 of the LBC) "The PCC proposes an achievement of between 10% and 25% savings".

- 4.61. The LBC proposes that the source of these savings will be identified through Chief Officers and their staff re-designing “all of the non-transactional processes and activities across the supporting and enabling services” (see Page 31 of the LBC).
- 4.62. Therefore, it appears that at present there are no substantive plans to support the savings identified in relation to “Consolidation of Supporting and Enabling Services”. The range of savings identified appears to have been arrived at through applying target headcount reductions to current establishments for specific functions across the Police and Fire Services; in advance of any re-design that would inform the numbers of staff required.
- 4.63. These functions and the FTE in each organisation (in 2017) are set out below:

<b>Function</b>	<b>West Mercia Police FTE</b>	<b>Hereford and Worcester Fire FTE</b>	<b>Shropshire Fire FTE</b>
Legal Team	19	0	0
Performance / Communications	11	3	0
Ops Logistics	0	22	8
Transport Operations	24	0	0
Change Programme/ Trans and Projects	19	0	6
COD Info Management	32	6	0
Business/Corp Support	47	8	12
ICT Team	72	14	8
Training & Development	94	6.59	18
<b>Total</b>	<b>318</b>	<b>59.59</b>	<b>52</b>

Source: CIPFA analysis of OPCC/external consultants’ working papers

- 4.64. As can be seen, 318 (75%) of the total 429.59 FTE identified in relation to these functions are employees of West Mercia Police. Based on the data provided contained in the working papers provided to us by the OPCC, the “10%” savings target would require a reduction of 42.96 FTE from these functions whilst the “25%” savings target would require a reduction in FTE of 103.65.
- 4.65. Using the 10% saving as an example and based on the data contained in the working papers provided to us by the OPCC, these 42.96 FTE posts would save £1,168,585 pa starting in year 2 (2019/20) and £10,517,262 over 10 years. The cost of redundancy and actuarial strain would amount to £1.356m incurred in years 1 and 2 (2018/19 and 2019/20). No additional investment costs have been assumed to leverage the scale of savings identified.
- 4.66. It would appear that, in order to achieve these targets a significant proportion of the reduction in FTE would have to come from West Mercia Police. Indeed in some functions, the only employees are employed by West Mercia Police.
- 4.67. Given this analysis, it is in our view difficult to justify the target savings included in the LBC as being contingent on adoption of the Governance model; as West Mercia Police might choose to target these savings without any change in governance arrangements. Indeed we understand the Police only Business Case for these services is likely to be based on 10%-20% savings in staff in these areas.
- 4.68. In addition, the LBC assumes that the savings in relation to the above functions will commence at the beginning of Year 2 (2019/20), thus assuming all of the re-

design and processes required by employment law (such as statutory consultation on redundancy) will be completed by the end of the 2018/19 financial year. Moreover the staff impacted by such reductions would in part be in areas that would be required to support the change programme envisaged. For example those in change management, transformation programme and ICT; whilst others would be performing critical support roles in a time of staff reduction such as HR.

4.69. Taking all this into account, it is our view that the scale and timing of the savings included in the LBC in respect of "Consolidation of Supporting and Enabling Services" are ambitious and not supported by any detailed plans. Moreover, as with other areas of savings the additionality resulting from inclusion of the two Fire Services is not identified though, in our view, there is some potential for savings.

### Effectiveness

4.70. In relation to effectiveness the LBC states "A single governance structure for police and fire will play a major role in enabling this and contributing towards improving the effectiveness of the three organisations. The joint governance model will accelerate delivery of operational collaboration opportunities, and ensure the development of shared services and shared estate" (see Section 4.2.4 of the LBC).

4.71. The LBC also states (Section 4.2.4 of the LBC) that the Governance model will improve the effectiveness of decision-making for the following reasons:

- The PCC model has demonstrated improved levels of public visibility as evidenced by the National Audit Office report of 2014;
- A single decision maker can be more easily engaged than a committee, with additional dedicated support through the OPFCC;
- Leadership is less dissipated, with the PFCC (Police Fire and Crime Commissioner) in post for four years, and so able to maintain direction over the term. A Fire Authority does not necessarily have the same stability, as the composition can change either along party lines following an election, or with changes of membership at the behest of the constituent authorities.

4.72. Whether the reasons cited in the LBC improve the effectiveness of decision-making is a matter of debate. During the course of undertaking this independent assessment we did encounter different perspectives on whether decisions would be more effective under the Governance.

4.73. The specific areas where Police Fire collaboration can deliver greater effectiveness are well covered in the LBC (see 3.3 and 3.4 of LBC) with a range of ideas for building on existing collaboration (see 3.5 of LBC). The LBC makes the case that this "current collaboration is acknowledged by the organisations to be slow and largely limited" (LBC 4.1.4).

4.74. The main case for improved effectiveness stemming from a change in governance relates to speed of decision making. In a number of interviews we received positive comment about the impact of the PCC on the modernisation of West Mercia and in particular the investment in new technology like body worn cameras and mobile devices. We also heard positive feedback from senior staff involved before and after the move to the PCC model in policing about the increased speed of decision making.

4.75. On balance we are of the view that a change in governance could accelerate the pace of Police-Fire collaboration in West Mercia."

### **Implementation and Transition Costs**

- 4.76. In relation to the PCC's preferred option of the Governance model, some reference is made to what are, in essence, implementation and transition costs. This includes redundancy costs and "actuarial strain" in relation to the following items identified as having potential for net savings:
- Integration of Fire Command Structure;
  - Integration of Shropshire Command Centre;
  - Alignment of ICT and Outsourced Services;
  - Consolidation of Supporting and Enabling Services.
- 4.77. In addition reference is made to cost of works in relation to Premises Sharing and to MFSS system set-up costs in relation to Alignment of ICT and Outsourced Services.
- 4.78. Under each of the areas of saving we have made comment about the implementation cost estimates. For example, we are concerned about the relatively low level of cost assumed for redundancy and actuarial strain in areas like senior Fire staff restructures and Fire control centre. We are also concerned about the lack of any supporting evidence for the cost of set up in relation to the move to a shared service model or the lack of provision for investment in relation to the consolidation of supporting and enabling services. There are also no specific estimates for the implementation costs for joint governance arrangements.
- 4.79. Moreover, a number of the items identified in the LBC as potential sources of savings (all of the items bullet pointed in 4.9 above) imply significant and fast-paced change programmes; many of which appear to be happening simultaneously.
- 4.80. Implementation is a key area of risk. The LBC effectively rules out the Single Employer Model because of risk. The LBC also recognises that the Governance model carries some significant risk (see 7.7 and Annex 2 in LBC).
- 4.81. Whilst it is good to see there is recognition of implementation risk we are concerned about the potential for optimism bias. In particular the speed of the implementation programme was a major concern raised in nearly all of our interviews, especially as the programme has been accelerated from that envisaged in the Initial Business Case, as was the capacity of the organisations to absorb such a programme of change.
- 4.82. West Mercia Police working with their alliance partner Warwickshire Police are already engaged on major change programmes including a significant ICT platform implementation and a move to a shared transactional service model. This programme also includes joint work with HWFRS to build and implement a new control centre and provide new HQ facilities in 2018. Senior staff who are directly engaged in these programmes were concerned about the organisation's ability to deliver both existing and new Fire collaboration related programmes at the same time.
- 4.83. The LBC does not appear to take into account the potentially significant costs that would ordinarily, in our experience, be expected to be incurred in successfully implementing such a simultaneous degree of change.

4.84. In our view, the LBC does not present a comprehensive picture of the likely implementation and transition costs of the PCC's proposals in relation to the adoption of the Governance model.

### **Public Safety**

4.85. Our terms of reference require us to highlight issues and concerns in relation to Public Safety that in effect go beyond those raised in the LBC.

4.86. During our interviews no one specifically raised an issue that would directly create a major public safety issue. However, there were three areas where concern was raised on a relatively consistent basis by representatives from both FRAs and FRSs.

4.87. Both HWFRS and SFRS rely heavily on Retained Duty Service (RDS) staff to operate a wide network of rural fire stations. There is a shared concern that any significant change could destabilise the recruitment and retention of such staff across the network. The operation of self-service technology in relation to time and expenses was the most frequent, specific example commented on. However there was a wider concern about the potential remoteness of leadership and the possible impact this could have on morale and commitment. The fear was expressed that this could create operational resilience issues in some geographies.

4.88. The proposed move to a single FRS command structure was also raised multiple times. The concern is that most senior FRS staff combine both operational as well as managerial responsibilities. Hence a fear that as senior staff numbers shrink that the level of operational resilience reduces.

4.89. The move to a single fire control centre was also seen by most FRS consultees as an operational issue. The extent to which this is an issue that requires specific public consultation via the SFRA Integrated Risk Management Plan was raised. As a minimum appropriate control centre back up and resilience arrangements would need to be put in place.

4.90. All of these are issues that are covered at least in part within the LBC. All are also issues that are recognised and noted as risks by the OPCC. Management of them is directly linked to the implementation and transition costs and the risks raised in the previous section. Hence, our view that implementation needs to match scale and pace to risk.

## 5. Overall Assessment

### Conclusion on Economy

- 5.1. With reference to the definition of economy (1.9 above), the potential net savings in relation to "Alignment of ICT and Outsourced Services" might be said to be a consequence of economy; that is, the net savings in the LBC can be attributed to the acquisition of inputs at lower prices. However, as is discussed (see 4.36) the inclusion of Police-Police collaboration savings that are the subject of a current Outline Business Case is inappropriate; reducing the potential net savings from the move to a Governance model that, in our view, should be considered in relation to "Alignment of ICT and Outsourced Services" substantially (by 75%).
- 5.2. Procurement is a key function in relation to the achievement of economy. We understand that Procurement is a joint function of the Warwickshire and West Mercia Strategic (Police-Police) Alliance. However, the LBC does not specifically refer to inclusion of the two Fire Services in this procurement arrangement should the Governance model be adopted.
- 5.3. In conclusion, whilst the scale of savings in relation to "Alignment of ICT and Outsourced Services" is, in our view, significantly overstated, and the extent to which such savings could be achieved through the other models referred to in the LBC is not discussed, the Governance model does appear to present some opportunity for economy.

### Conclusion on Efficiency

- 5.4. All of the net savings identified in the LBC apart from those attributed to "Alignment of ICT and Outsourced Services" arise from efficiency savings.
- 5.5. In relation to the net savings attributed to Joint Governance, a key element is the avoidance of costs inherent in the Representation model. The LBC also takes into account additional costs that will be incurred as a result of adopting the Governance model. Whilst in our view the analysis is incomplete, it appears reasonable to assume that some efficiency savings can be attributed to the Governance model.
- 5.6. In relation to Premises Sharing, the LBC identifies that the level of efficiency savings achieved through adoption of the Governance model would also be achieved through adoption of the Representation model.
- 5.7. The savings attributed to Integration of Fire Command Structure and Integration of Shropshire Command Centre both rely on operational changes to fire services in Hereford and Worcester and in Shropshire. In relation to the Integration of Shropshire Command Centre we are also of the view that the pace and scale of savings might be considered optimistic. In relation to Integration of Fire Command Structure and the Shropshire Command Centre, we are of the view that the implementation costs identified in relation to severance may not be adequate.
- 5.8. The most significant area of savings identified in the LBC is in relation to "Consolidation of Supporting and Enabling Services". As has been discussed, this is in essence a target saving largely based on target reductions in headcount.

- 5.9. The LBC does not provide supporting evidence to substantiate how these savings will be achieved and does not identify the additionality that comes from adoption of the Governance model in relation to these target efficiency savings.
- 5.10. In addition, it does not appear the LBC takes into account all of the implementation costs that might be incurred in attempting to achieve the efficiency savings identified in relation to "Consolidation of Supporting and Enabling Services".
- 5.11. Given that the LBC, in our view, lacks clarity in relation to the efficiency savings that might be achieved in relation to either the Representation or the Single Employer model (and does not present the same degree of detail as it does in relation to the Governance model), it is not possible to compare the efficiency savings that could be generated by each option.
- 5.12. In conclusion, whilst we have identified significant issues in relation to the efficiency savings identified in the LBC, it does appear that the proposals made in the LBC in relation to adoption of the Governance model would yield some degree of efficiency savings; even if the scale and pace of such savings could, in our view, be very different from the scale and pace of efficiency savings presented in the LBC.

## Conclusion on Effectiveness

- 5.13. The LBC implies that the Single Employer model would deliver greater improvements in effectiveness than the Governance model but preference is given to the Governance model as a means to improve effectiveness when the difficulties of implementing the Single Employer model are taken into account.
- 5.14. Adoption of the Governance model, the PCC's preferred option, is not an option for which there is a high degree of consensus. However, in our view, it is likely that the Governance model could have a positive impact on the pace of collaboration and over time the range of collaboration projects.
- 5.15. However, the implementation of these collaboration projects needs careful consideration to match scale and pace to risk.

## The 3Es

- 5.16. We have been asked to undertake an independent assessment on behalf of the Home Office of West Mercia PCC's Local Business Case which proposes adoption of the Governance model.
- 5.17. In relation to the 3Es, our terms of reference require us to assess whether the PCC's proposal meets the statutory test of economy, efficiency and effectiveness.
- 5.18. We have set out broad conclusions in relation to economy, efficiency and effectiveness in above (5.1 – 5.15). In summary, in our view:
- The potential savings identified in the LBC that can be attributed to **economy** have been significantly overstated by inclusion of an existing Police-Police collaboration project and the additional savings that might result from inclusion of the two Fire Services in West Mercia Police's current plans require further substantiation
  - Whilst there are significant issues regarding the savings identified in the LBC attributable to **efficiency**, it does appear that the proposals made in the LBC



in relation to adoption of the Governance model would yield some degree of efficiency savings

- In relation to **effectiveness**, is likely that the Governance model could have a positive impact on the pace of collaboration. However, careful consideration is required to match scale and pace to risk.

- 5.19. We have been asked to comment specifically on the “proposed transition costs”. In our view, whilst some account has been made of transition (or implementation) costs in arriving at the net savings identified in the LBC, these are incomplete and, as a consequence, appear understated.
- 5.20. Notwithstanding these criticisms of the LBC, taking the 3Es together we have concluded that, on balance and subject to all the caveats listed in this report, a move to the Governance Model would be in the interests of economy, efficiency and effectiveness.
- 5.21. Having reached that conclusion, we would add that, given the shortcomings in the LBC identified in this independent assessment, the LBC presents no overwhelming case for the Governance model. In our view most of the proposed changes could be achieved under the other options, subject to the willingness of all the stakeholders to work together.

## **Public safety**

- 5.22. This independent assessment has identified three operational issues where there are potential public safety concerns. These relate to the impact of change on Retained Duty Service staff and the possible consequences for network resilience, the impact of a move to a single command structure on operational resilience and the operational resilience consequences from a move to a single command centre.
- 5.23. Whilst all of these are issues that are covered at least in part within the LBC and all are recognised and noted as risks by the OPCC, they do have a direct bearing on implementation and transition. Hence, our view that implementation needs to match scale and pace to risk.

## **Appendix A: Letter from Minister of State for Policing and the Fire Service**

Mr John O'Halloran  
Director Business Advisory and Consultancy  
CIPFA  
77 Mansell Street  
London  
E1 8AN

20 November 2017

Dear John,

**Re: Independent Assessment of Section 4A proposal under the Policing and Crime Act 2017**

On 13 October, I received a proposal from West Mercia's Police & Crime Commissioner (PCC) to take on governance of Hereford and Worcester Fire and Rescue Service and Shropshire Fire and Rescue Service, and I would like to request that you undertake an independent assessment of their proposal.

**Background**

The Policing and Crime Act 2017 amends the Fire and Rescue Services Act 2004, and introduced a range of measures to enable closer collaboration between the emergency services. In particular, it enables PCCs to take on governance of their local fire and rescue service where a local case is made<sup>1</sup>, and establish a PCC Fire and Rescue Authority (FRA). This provides an opportunity for PCCs to drive innovative reform across both services and bring the same direct accountability to fire as exists for policing.

Where a PCC is interested in taking on the governance of their local fire and rescue service, they must bring forward a proposal for the necessary order demonstrating how this would be in the interests of economy, efficiency and effectiveness, or public safety (the "statutory tests"). The Secretary of State is only able to make such an order where it appears to her that it is in the interests of economy, efficiency and effectiveness or in the

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<sup>1</sup> See in particular sections 4A to 4M of, and Schedules A1 and A2 to, the Fire and Rescue Services Act 2004

interests of public safety. The Secretary of State may not make an order if she thinks that such an order would have an adverse effect on public safety.

The Act requires PCCs to consult on their proposal with the following parties; each relevant local authority<sup>2</sup>, those who appear to the PCC to represent (i) employees who may be affected by the proposal and (ii) members of the police forces who may be affected by the proposal and seek the views of people in their police area on that proposal. If, in response to a consultation, a relevant local authority indicates an objection to the PCC's proposal, the PCC can still submit their proposal for consideration but is required to provide additional documents, including copies of the views expressed by the statutory consultees and the PCC's responses to them. I, on behalf of the Secretary of State, will then be required to obtain an independent assessment of the proposal. The Secretary of State will take into account its findings when making the final decision whether or not to approve the PCC's proposal.

The Secretary of State is required to publish such an independent assessment as soon as is reasonably practicable after making a determination in response to the proposal, and in such manner she thinks is appropriate.

For the avoidance of doubt, the independent assessment is not a substitute for the Secretary of State decision-making process. The Secretary of State would not be properly discharging her duties by simply adopting the conclusions of an independent assessment, and anyone undertaking the independent assessment function is not discharging her role in assessing whether the statutory tests have been met.

If you agree to undertake this work, it should be done separately to any other proposal that you may be commissioned to assess.

#### **The assessment**

As the independent assessor, you are being asked to review West Mercia PCC's proposal to transfer governance of Hereford and Worcester Fire and Rescue Service and Shropshire Fire and Rescue Service (both standalone FRAs) to the PCC in their entirety, and to provide a view on whether you consider that either of the relevant statutory tests have been met or whether there would be an adverse effect on public safety. Whilst the conduct of the assessment is a matter for you, I would ask you, in particular, to provide your view on the potential savings and proposed transition costs as a result of the transfer of governance.

In order to form a view against the statutory tests, you may wish to engage with the PCC for West Mercia, Hereford and Worcester Fire and Rescue Authority and Shropshire and Wrekin Fire and Rescue Authority, and the relevant four top tier authorities; Shropshire Council, Herefordshire Council, Telford and Wrekin Council and Worcestershire County Council. Please have regard to further assessment requirements as set out in Annex A.

#### **Timeframe**

It is anticipated the independent assessment will take up to three weeks following your confirmation that you accede to this request. However, this may be extended, depending on the nature of the objections and the complexities of the case.

#### **Subject matter expertise**

The following provides a suggested list of experts who you might wish to consider consulting with to support you in making your assessment, if necessary:

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<sup>2</sup> See paragraph 6(6) and (7) of Schedule A1 to the Fire and Rescue Services Act 2004

- Operational fire expertise: National Fire Chiefs Council (NFCC)
- Operational police expertise: National Police Chiefs Council (NPCC)
- Others, dependent on nature of the objection/s: Society of Local Authority Chief Executives (SOLACE) or Association of Police and Crime Chief Executives (APACE)

The above list is not exhaustive; you may wish to seek other subject matter expertise.

#### **Updates**

This will be a wholly independent process for you to carry out as you see appropriate. However, I would be grateful if you could update the Home Office on any risks or issues with meeting the suggested timeframe, lack of engagement from relevant parties, or any additional costs that are to be incurred as a result of seeking additional subject matter expertise. Such updates are not intended to cover matters relating to the substance of your view of the proposal or your initial findings.

Please can you confirm in writing by 24 November, whether you are able to undertake the independent assessment of the West Mercia PCC's proposal. Should there be any conflict of interest with undertaking this assessment, please make the Home Office aware prior to formally accepting.

I am copying this letter to the Chair of the Hereford and Worcester FRA (Councillor Roger J Phillips), Chair of the Shropshire and Wrekin FRA (Councillor Eric Carter), the leaders of Shropshire Council (Councillor Peter Nutting), Herefordshire Council (Councillor AW Johnson), Telford and Wrekin Council (Councillor Shaun Davies), and Worcestershire County Council (Councillor Simon Geraghty), and the West Mercia PCC (John Champion).

I would like to take this opportunity to thank you for your ongoing support and engagement with this process.

Yours sincerely,



**NICK HURD MP**  
**Minister of State for Policing and the Fire Service**

## **Annex A**

### **Further requirements of the assessment**

To ensure the independence of the assessment itself, the Home Office is not prescribing how the assessment should be carried out but the assessor should have due regard to the need to:

- Review the proposal and accompanying documentation (e.g. representations made in response to the consultation on the proposal) and interpret and clarify the objections.
- Consider the evidence that has been provided to support the conclusions reached in the proposal that are (i) being challenged and (ii) form the case to demonstrate that the statutory tests have been met.
- Consider the need to collect further evidence from relevant parties as appropriate.
- Develop a written assessment, citing all sources, and with a clear conclusion in response to whether the statutory tests have been met. Supporting evidence should be clearly presented.
- List all assumptions made in coming to conclusions and reaching final figures.
- Be able to outline to the Home Office who they have contacted in conducting the assessment, when and on what basis. Where the assessor has been unable to come to a view on a matter due to an inability to obtain required information from relevant parties, they should outline this to the Home Office and make this clear in the final assessment submitted.

### **Quality**

The final assessment provided to the Home Office must clearly set out:

- whether the proposal, in their view, meets the statutory tests (either in the interests of economy, efficiency and effectiveness, or public safety; and whether the proposal will have an adverse effect on public safety)
- any elements of the proposal they have been unable to investigate due to lack of engagement from relevant parties (where necessary)
- if there have been any elements of the proposal on which they have been unable to form a view, and the rationale for this
- how the assessor has reached their view, supplemented with appropriate backing information to enable the Home Office to understand their considerations and how they reached their conclusions.

## Appendix B: Documents / Sources

No.	Title of Document	Author	Date
1.	Local Business Case (LBC) – Enhancing service, Sustaining Resilience, Exploiting Information (Final Business Case)	West Mercia OPCC	October 2017
2.	Local Business Case (LBC) – Annexes & Appendices (Final Business Case)	West Mercia OPCC	October 2017
3.	Working Papers (Excel) supporting savings for the Governance model identified in the LBC (see 1. above)	West Mercia OPCC/Beckford Consulting	Undated
4.	West Mercia Fire and Rescue Governance	West Mercia OPCC	June 2017
5.	Initial Business Case – Sustaining Resilience, Exploiting Information, Enhancing Service	Beckford Consulting (on behalf of the West Mercia PCC)	June 2017
6.	Assessment of West Mercia PCC Final Business Case	Ameo and Alendi Consulting (on behalf of SWFRA and HWFRA)	December 2017
7.	Warwickshire and West Mercia Strategic Alliance: An independent review by the Police Foundation	The Police Foundation	September 2014
8.	Fire Authority Annual Report 2016-17	HWFRA	Undated
9.	Fire Authority Annual Report 2017- 8	HWFRA	Undated
10.	The Audit Findings for Hereford & Worcester Fire Authority	Grant Thornton	August 2017
11.	The Annual Audit Letter for Hereford & Worcester Fire Authority	Grant Thornton	October 2017
12.	Internal Audit Annual Report 2016/17	HWFRA	September 2017
13.	Budget and Precept 2017/18 and Medium Term Financial Plan	HWFRA	February 2017
14.	2017/18 Budget Monitoring – 2 <sup>nd</sup> Quarter	HWFRA	November 2017
15.	Medium Term Financial Plan (MTFP) Update	HWFRA	November 2017
16.	HWFRS Strategic Risk Register	HWFRS	Undated
17.	Findings and recommendations arising from the Operational Assessment 2012 (undertaken by a LGA OpA led peer review team)	HWFRA	February 2013
18.	Statement of Accounts 2016/17	HWFRA	2017
19.	Annual Review 2016/17	SWFRA	September 2017
20.	Annual Governance Statement 2016/17 and Improvement Plan 2017/18	SWFRA	July 2017
21.	The Audit Findings for Shropshire and Wrekin Fire & Rescue Authority	Grant Thornton	September 2017

<b>No.</b>	<b>Title of Document</b>	<b>Author</b>	<b>Date</b>
22.	Internal Audit Annual Report 2016/17	SWFRA	July 2017
23.	Corporate Risk Management Summary	SWFRA	September 2017
24.	Findings and Recommendations arising from the Operational Performance Assessment 2012 (undertaken by a LGA OpA led peer review team)	SWFRA	February 2013
25.	Performance against Improvement Objectives in Operational and Peer Assessments	SWFRA	September 2015
26.	Revenue Budget: 2017/18 Precept	SWFRA	February 2017
27.	Shropshire and Wrekin Fire Authority Capital Programme from 2017/18	SWFRA	Undated
28.	Summary of Corporate Risk Register Entries	SWFRA	September 2017
29.	Statement of Accounts 2016/17	SWFRA	2017
30.	Annual Report 2016/17	West Mercia OPCC	June 2017
31.	Safer West Mercia Plan 2016-2021	West Mercia OPCC	October 2016
32.	West Mercia Budget 2017/18 & Medium Term Financial Plan 2017/18 - 2020/21	West Mercia OPCC	Undated
33.	West Mercia Statement of Accounts 2016/17 for the Police and Crime Commissioner	West Mercia OPCC	2017
34.	West Mercia statement of Accounts 2016/17 for the Chief Constable	West Mercia Police	2017
35.	West Mercia Police and Crime Commissioner's Annual Governance Statement 2016-17	West Mercia OPCC	2017
36.	Annual Governance Statement 2017	West Mercia Police	2017

In addition, information has been obtained from the websites of Shropshire Fire and Rescue Service (which contains information in relation to Shropshire and Wrekin Fire and Rescue Authority), Hereford and Worcester Fire and Rescue Service (which contains information in relation to Hereford and Worcester Fire and Rescue Authority), West Mercia Police and the Police and Crime Commissioner for West Mercia.



## Appendix C – List of Consultees

The following were consulted during the course of our independent assessment:

<b>Name</b>	<b>Title</b>	<b>Organisation</b>	<b>Date</b>	<b>Method</b>
Eric Carter	Chairman	Shropshire and Wrekin Fire and Rescue Authority	7 <sup>th</sup> December 2017	Interview in person
Rod Hammerton	Chief Fire Officer	Shropshire Fire and Rescue Service	7 <sup>th</sup> December 2017	Interview in person
Richard Partington	Managing Director	Telford and Wrekin Council	7 <sup>th</sup> December 2017	Interview by phone
Ken Clarke	Assistant Director: Finance, Audit & Information Governance (S.151 Officer)	Telford and Wrekin Council	7 <sup>th</sup> December 2017	Interview by phone
Peter Nutting	Councillor/ Leader	Shropshire Council	7 <sup>th</sup> December 2017	Interview in person
Martin Rehorn	Director of Finance and Treasurer (S.151 Officer)	Hereford & Worcester Fire and Rescue Service	7 <sup>th</sup> December 2017	Interview in person
Shaun Davies	Councillor/ Leader	Telford and Wrekin Council	7 <sup>th</sup> December 2017	Interview by phone
Clive Wright	Chief Executive	Shropshire Council	7 <sup>th</sup> December 2017	Interview in person
John Campion	Police and Crime Commissioner	Police and Crime Commissioner for West Mercia	11 <sup>th</sup> December 2017	Interview in person
Andy Champness	Chief Executive	Office of the Police and Crime Commissioner	11 <sup>th</sup> December 2017	Interview in person
Joe O'Sullivan	Transformation Director	Warwickshire and West Mercia Police Alliance	11 <sup>th</sup> December 2017	Interview by phone
Rachel Hartland-Lane	Head of Business Support	Warwickshire and West Mercia Police Alliance	11 <sup>th</sup> December 2017	Interview by phone
Simon Geraghty	Councillor/ Leader	Worcestershire County Council	11 <sup>th</sup> December 2017	Interview by phone
Anthony Bangham	Chief Constable	West Mercia Police	11 <sup>th</sup> December 2017	Interview in person
Heather Costello	Director of Finance (S.151 Officer)	Warwickshire and West Mercia Police Alliance	11 <sup>th</sup> December 2017	Interview in person
Liz Hall	Treasurer (S.151 Officer)	Office of the Police and Crime Commissioner	11 <sup>th</sup> December 2017	Interview in person
Richard Elkin	Director of Enabling Services	Warwickshire and West Mercia Police Alliance	11 <sup>th</sup> December 2017	Interview in person
Kevin Faulkner	Head of Transformation	Shropshire Fire and Rescue Service	12 <sup>th</sup> December 2017	Interview by phone
Nathan Travis	Chief Fire Officer	Hereford & Worcester Fire and Rescue	12 <sup>th</sup> December 2017	Interview in person

<b>Name</b>	<b>Title</b>	<b>Organisation</b>	<b>Date</b>	<b>Method</b>
		Service		
Joanne Coady	Head of Finance	Shropshire Fire and Rescue Service	12 <sup>th</sup> December 2017	Interview by phone
Steve Stewart	Chief Executive	Worcestershire County Council	12 <sup>th</sup> December 2017	Interview by phone
Sue Alexander	Interim Chief Financial Officer (S.151 Officer)	Worcestershire County Council	12 <sup>th</sup> December 2017	Interview by phone
Roger Phillips	Chairman	Hereford & Worcester Fire Authority	12 <sup>th</sup> December 2017	Interview in person
Anthony Johnson	Councillor/Leader	Herefordshire Council	12 <sup>th</sup> December 2017	Interview by phone

## Appendix D – Summary comments on the Representation and Single Employer options set out in the LBC

### Representation Model

#### Economy and efficiency

- 1.1 There is no summary table of the potential economic benefits for this option in the LBC as there is in relation to the Governance model (see 4.9 of the main report above). The commentary in relation to this option does make reference to a number of items (see Section 4.1.5 of the LBC).
- 1.2 The LBC states “With a low likelihood of delivering the full potential of collaboration, it is expected that, in the absence of any other imperative for change, this would essentially be limited to premises sharing delivering possible financial gains limited to £2.0m over 10 years (£1.7 NPV)”. This is the same saving that is also attributed to the Governance model in the table at 4.9 of the main report above.
- 1.3 Section 4.1.5 of the LBC also makes reference to the continuing costs of direct governance that would be incurred if this option is chosen (citing costs of “around £577k per annum”). No explanation is provided for the £577k per annum other than a reference to these being actual costs in 2016/17. In addition, there does not appear to be a direct connection to the values discussed in relation to potential Joint Governance savings through adoption of the Governance model (see 4.15 – 4.22 of the main report above).
- 1.4 Reference is also made in Section 4.1.5 of the LBC to “An approach like the Multi-Force Shared Services” realising £4.3m of savings over 10 years with an average of £430k per annum and a NPV of £3.33m. This appears to be the application of the shared services saving to West Mercia Police only which we described in the Governance model review in the main body of this report.
- 1.5 In our view, the potential economic benefits of the Representation model are not well presented in the LBC and lack clarity. There is no attempt to summarise the benefits of this approach alongside those of the other models. It is, therefore, not possible to ascertain the scale of benefits that might arise from adoption of the Representation model based on the contents of the LBC and the other evidence provided to us.
- 1.6 This is, perhaps, surprising, given that the Representation model is an option for which an agreement already exists between the PCC and the two concerned FRAs (see 4.6 of the main report above). It also specifically means that it is not possible to see the marginal benefits of Governance compared to what is in effect the “no change” Representation model.

#### Effectiveness

- 1.7 The LBC states “the potential for collaboration to increase police and fire effectiveness and resilience (and with it, public safety) is considerable” (see Section 4.1.4 of the LBC). The LBC also states that “The contention of the FBC is

that this option would not support the realisation of benefits on the scale available and at the pace required”.

- 1.8 There is recognition in the LBC that “Police and fire services work more closely now than in the past on a range of matters of common concern such as prevention and protection, response, training, estates and programme management” and a list of specific collaboration projects is identified (see 3.4.10 of the LBC).
- 1.9 However, the LBC also states “Current collaboration, which is acknowledged by the organisations to be slow and largely limited in progress, would not be stimulated and it is thought unlikely that existing or envisaged services would be enhanced” and that “There are a number of areas where potential collaboration opportunities are not currently being fully realised”. These are identified as:
  - Search and rescue;
  - Missing persons;
  - Road traffic accidents;
  - Prevention activity;
  - Supporting the most vulnerable;
  - Community resilience.
- 1.10 The LBC concludes that the Representation model “would neither enhance nor enable further and deeper collaboration” (see Section 4.1.4 of the LBC). This does appear, in our view, to be a stark conclusion to draw and no specific evidence is provided to support such a conclusion. If such a conclusion is true it is difficult to imagine why the PCC and the two FRAs have put in place an existing agreement in relation to this very model (see 4.6 of the main report above).

## **Single Employer Model**

### **Economy and Efficiency**

- 1.11 There is no summary table of the potential economic benefits for this option in the LBC as there is in relation to the Governance model (see 4.9 of the main report above). The commentary in relation to this option does state that “headline gains under this option are about £250k per annum higher than those under the joint governance option” (i.e. the Governance model) but that there would be significant additional cost to aligning these large organisations (see Section 4.3.8 of the LBC).
- 1.12 However, no detailed analysis has been provided to us that support either the potential savings or the additional costs that would result from adoption of the Single Employer model.
- 1.13 As with the Representation model, the potential economic benefits of the Single Employer model are not well presented in the LBC and lack clarity. It is, therefore, not possible to ascertain the scale of benefits that might arise from adoption of the Single Employer model based on the contents of the LBC and the other evidence provided to us.

### **Effectiveness**

- 1.14 The LBC states (see Section 4.3.7 of the LBC) that “In addition to the benefits from the single governance structure for police and fire, organisational effectiveness could be enhanced further through:

- A single point of operational accountability and consistency across both police and fire at strategic and operational leadership levels;
- The capability of a single chief officer to drive performance;
- Sustainable decisions, with the PFCC in post for four years, and chief officer changes limited to the changeover of only one role (not two as under the joint governance model), and so able to commit to and see through longer-term projects.
- The greater reduction in command capacity might present a challenge to resilience and management of major incidents”.

1.15 The final point, in relation to a greater reduction in command capacity does not appear to be an enhancement (as is implied by the commentary in the LBC).

1.16 The LBC also identifies a number of “difficulties in the implementation process” of the Single Employer model (see 4.3.10 of the LBC) that are considered “would certainly lead to negative impact on effectiveness in the short to medium term”.

1.17 In our view, the “difficulties in the implementation process” referred to in relation to the Single Employer model are pertinent and would lead to some diminution of the potential enhancements to effectiveness that the LBC identifies (see 4.3.7 of the LBC).