

Independent Assessment of the Proposal for a PCC-style FRA for Staffordshire

19 December 2017

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1. Introduction

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, which enables the PCC to have representation on the local FRA, with voting rights, where the FRA agrees;
- Option 2: Governance, where the PCC takes on the functions of the FRA;
- Option 3: Single Employer, 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.

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.

1.2 The PCC for Staffordshire commissioned a local business case (LBC), which recommended the Governance Model, and 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. This is the case in Staffordshire 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.

The Statutory Tests

1.3 In her letter requesting that CIPFA should undertake an independent assessment of Staffordshire's Section 4A proposal, the Home Secretary made it clear that our assessment must clearly set out whether the proposal meets the statutory tests. These tests cover whether, in our view, the proposal is in the interests of economy, efficiency and effectiveness (the 3Es) or public safety; and whether the proposal will have an adverse effect on public safety. 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 totality of potential costs of implementation" as set out in Appendix A.

1.4 In our discussions with Home Office representatives, further clarification has been provided regarding our remit on public safety. It has been emphasised that our role is effectively looking at economy, efficiency and effectiveness 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.

1.5 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 Staffordshire PCC's proposal to transfer governance of the Staffordshire Fire and Rescue Service to the PCC in its 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. As suggested in the letter from the Home Secretary, we have engaged with the Office for the PCC for Staffordshire (OPCC), with the Stoke-on-Trent and Staffordshire Fire and Rescue Authority, Staffordshire County Council and Stoke-on-Trent City Council. We have also had due regard to the requirements set out in Annex A to the Home Secretary's letter, included in Appendix A.
- 2.2 In order to reach our conclusions we have:
- Read the Local Business Case prepared by the OPCC;
 - Read the Consultation Report, the written responses and the PCC's response thereto;
 - Reviewed a wide range of other documents supplied by the OPCC and the FRA. A full list is attached as Appendix B;
 - Interviewed the PCC, Matthew Ellis;
 - Interviewed a range of officers from the OPCC;
 - Interviewed the Chief Constable and the Force S151 Officer;
 - Interviewed the Chief Fire Officer and the S151 Officer to the FRA
 - Interviewed a range of officers from Staffordshire County Council;
 - Held a conference call with a range of officers from Stoke-on-Trent City Council.
- A full list of those interviewed is attached at Appendix C.
- 2.3 Our work was carried out between 20 November and 19 December 2017. The interviews were conducted on 29 and 30 November and 15th December 2017 in Stafford.
- 2.4 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 Comment on Consultation

Process

- 3.1 We understand that the consultation exercise was undertaken by Mel Research between 10th July and 4th September 2017 using a combination of:
- A dedicated webpage hosted by MEL, containing the key consultation documents, a message from the PCC, a video explaining the LBC, a Frequently Asked Questions (FAQ) document and a summary of the Local Business Case (LBC);
 - A residents' survey with a representative cross section by local authority area, gender age and ethnicity;
 - An online survey, with paper copies where required, for staff and other key stakeholders.
- 3.2 The consultation welcomed responses from anyone living and working in Staffordshire and Stoke-on-Trent, including:
- The public and residents of Staffordshire;
 - Members of Parliament;
 - Councillors and representatives of Staffordshire County Council and Stoke on Trent City Council, District Councils and Town and Parish Councils;
 - Employees of the Police and Fire and Rescue Services and their Unions and Employee Representatives;
 - Public Sector Agencies and the Community and Voluntary Sector (CVS).
- 3.3 The consultation exercise sought views on four different options, which were considered in the LBC, as follows:
- Option 1: No change to the current governance arrangements;
 - Option 2: A Representation model;
 - Option 3: A Governance model;
 - Option 4: A Single Employer model.

Profile of Respondents

3.4 The number and profile of responses is set out in the following table:

Respondent type	Number of respondents
1. General public (total combined):	1,671
• Online survey	(599)
• Residents survey	(1,072)
2. Elected representatives	91
3. Fire and Rescue employees	329
4. Police employees	184
5. Public Sector and Community and Voluntary Sector (CVS)	48
Total	2,323

In addition, we understand that 8 written responses were sent to the PCC and 30 to Mel Research

Summary of Responses

3.5 Overall there is a 50:50 split between those who want some form of change and those who do not. This is broken down as follows:

- Option 1: No change: 50%;
- Option 2: Representation Model: 11%;
- Option 3: Governance Model: 22%;
- Option 4: Single Employer Model: 17%.

The following table illustrates the split across different stakeholder groups.

Option	Overall	Elected Representatives	FRS Employees	Police Employees	General Public	Public/Voluntary Sector
1: No change	50%	44%	60%	41%	49%	34%
2: Representation	11%	14%	19%	5%	10%	13%
3: Governance	22%	26%	12%	26%	23%	30%
4: Single Employer	17%	16%	9%	28%	18%	23%

This illustrates that almost all groups supported change of some sort, except the Fire and Rescue staff.

Of the 50% who supported change, the breakdown was as follows:

- Option 2: Representation Model: 22%;
- Option 3: Governance Model: 43%;
- Option 4: Single Employer Model: 35%.

The following table illustrates the split across different stakeholder groups:

Option	Overall	Elected Representatives	FRS Employees	Police Employees	General Public	Public/Voluntary Sector
2: Representation	22%	24%	48%	8%	20%	19%
3: Governance	43%	47%	29%	44%	45%	45%
4: Single Employer	35%	29%	23%	48%	35%	35%

Analysis of Key Objections

3.6 Comments and objections were received both through the feedback section of the surveys and through separate written responses, mainly from representative bodies but occasionally from individual residents. Mel Research Survey grouped survey comments under key themes for each option and written responses under an overall set of themes.

3.7 Our own summary analysis of the key objections is included in the following table:

Ref.	Objection	Commentary
1.	The FRA works well at present and there is no need to change the governance model.	The quality of decision making is subjective and Local Authorities and the representative groups themselves may have a vested interest in maintaining the FRA. This objection was countered by other respondents who felt that the FRA is not accountable, and that governance could be improved. These arguments are explored further under the Effectiveness section.
2.	Concerns over scrutiny and too much power being vested in one person.	This is again subjective. Scrutiny is a key element of any process and the LBC acknowledges the need for increasing scrutiny through the enhanced Police, Fire and Crime Panel and the Ethics, Transparency and Audit Panel (ETAP). It also acknowledges the need for an additional resource in the OPCC to support the PCC.
3.	The PCC has no democratic mandate for extending his remit.	Although the Policing and Crime Act was not on the statute books at the time of the May 2016 PCC elections, it was going through the parliamentary process. In addition, the LBC has the support of all six Conservative Staffordshire MPs, though not Labour. This could be interpreted as a mandate.
4.	Both services can work collaboratively without a change of governance. The focus should be on building on and extending current collaborative activity.	Almost all respondents agree on the need to extend collaboration across multiple agencies, but opinions on whether this requires a change of governance are largely subjective. This point was challenged extensively during our on-site-meetings and is discussed further under the Effectiveness section.
5.	The FRS is more aligned to the Ambulance service than the Police.	The Policing and Crime Act sets out expectations for wider collaboration across all blue light services, but its proposed extension of the PCC governance remit covers only Fire and Rescue at this stage.
6.	The LBC lacks evidence and underestimates the risks.	A number of the assessments included in the LBC are subjective, since it is investigating a new approach to governance on which evidence is limited. However, it has explained the approach adopted to the assessment and has identified what the author and the PCC consider to be the key risks.

Conclusion on consultation

3.8 In our view the consultation process appears to have been thorough and inclusive, although the latter part coincided with the peak holiday period and it might have been helpful to extend the consultation period by two weeks. Whilst the 50:50 split for “change: no change” is hardly a resounding mandate, it is clear that those in favour of change support a more progressive model than Representation by a ratio of almost four to one.

4. Assessment

4.1 We set out our assessment of each of the 3Es below.

Overall financial implications

Our review of the financial implications for each option is based on the numbers set out in the LBC. We have also reviewed detailed spreadsheets showing the calculations and we have discussed the basis of the calculations with officers from the Office of the Police and Crime Commissioner (OPCC). Page 17 of the LBC sets out a summary of the proposed savings from each governance option for the ten year period 2018/19 to 2027/28 and we have summarised the figures below:

OPTION	TOTAL NET SAVINGS £M	NET PRESENT VALUE £M
No change (baseline)	12.05	9.9
Representation model	13.72	11.3
Governance model	36.39	30.0
Single employer model	39.99	32.9

4.2 The savings set out in the table above need to be considered in the context of the total annual spend by the Police and Fire Services. Page 11 of the LBC sets out the budgets for 2017/18 and the figures are £171.0m for Police and £39.9m for Fire. The LBC states that “there are clear advantages in adopting the Governance or Single Employer models” which appears to be supported by the figures shown above. The LBC goes on to state that “while the Single Employer model has the greatest potential in terms of the economic impact, implementation would be more complicated...for these reasons the Governance model is the preferred option”. We have therefore concentrated on a detailed examination of the figures supporting this latter model and on the underlying assumptions. We have looked at the potential savings and also at the likely costs of implementation. Note that the methodology employed is common to all four models. A summary of our findings and conclusion is set out in the following paragraphs.

4.3 For each of the four models the savings are grouped under the following headings:

- Costs/savings arising from governance;
- Costs/savings arising from enabling services;
- Savings from estates rationalisation.

4.4 In terms of the governance of the OPCC there is no saving and no cost of implementation under the No Change and Representation models. Savings arise under the Governance and Single Employer models due to reductions in staff numbers in the Fire and Rescue Authority (FRA) and through the rationalisation of the Section 151 officers. The key assumptions are that the FRA is abolished in 2018/19, that the change to S151 officers is phased in with changes to enabling services. However, there is an additional ongoing cost due to additional, specialist advice on fire issues to the PCC in both the Governance and Single Employer models and that this commences in 2018/19 on the abolition of the FRA. There are also one-off costs of implementation associated with both these models, with the figure being higher for the Single Employer model. We have reviewed the assumptions on which the figures are based and consider them to be reasonable. On this basis a change to the Governance model produces savings of £1.9m, in cash terms and

compared with the No Change option, over the ten year period from 2018/19 to 2027/28. The Single Employer model produces savings of £3.5m over the same period. The additional saving arises due to further savings in Chief Officer and PA salaries. Included within these net savings figures are the costs of implementation. These relate to the one-off cost of implementation and additional ongoing support to the PCC. For the Governance model these amount to £209K and £119K p.a. respectively. For the Single Employer model the figures are £464K and £119K p.a. respectively. These figures have been extracted from the Addendum to the LBC, specifically on Page 7 of the detailed Finance Workings section.

4.5 The savings arising from enabling services are based on the potential reductions in staff numbers. Enabling services have been defined in the cost model as back office services covering Finance (including Payroll and Procurement, HR/HR Systems, ICT, Estates/PFI, Supplies, Business Intelligence, Communications and L&D. In total some 68 posts have been identified as no longer being required across all these functions under the Single Employer model. The cost model then assigns a percentage to this total that may be achievable under each of the four models. For the Do Nothing and Representation models the LBC assumes that 50% will be achievable while the figure for the Governance and Single Employer models is 100%. The total gross saving (i.e. before the application of the percentage) under the Governance model is £0.9m in 2018/19, £2.1m in 2019/20 and £2.6m in each of the following years to 2027/28. These figures include an uplift for a change in allowances starting in 2017/18.

4.6 Potential redundancy costs have been calculated based on assumptions on historical levels of redundancy pay, levels of natural wastage and average pay outs per FTE made redundant. The cost model then applies a further percentage to the figures to indicate the probability of the projected savings actually being achieved and these are set out in the table on Page 10 of the detailed Finance Workings section of the LBC. For the Do Nothing option these percentages range from 10% to 55% over the ten years and from 20% to 65% for the Representation model. For the Single Employer model the figure is 95% in 2018/19 and then 100% in each of the following years. For the preferred option, the Governance model, the figure is 90% in 2018/19 and then 95% in each of the following years. Applying the figures to each model produces the following savings in cash terms over the ten years of the model:

- Do Nothing: £4.1m;
- Representation model: £5.2m;
- Governance model: £21.5m;
- Single Employer model: £22.6m.

Included within the above calculations are gross redundancy figures (i.e. before applying the probability percentages) of £749K for the Do Nothing and Representation models and £1,498K for the Governance and Single Employer models. These figures have been extracted from the Addendum to the LBC, specifically on Page 10 of the detailed Finance Workings section.

4.7 The third element of cost reduction relates to savings from estates rationalisation. Unfortunately, the LBC figures for revenue cost savings include one-off capital receipts from the sale of surplus properties. Therefore, in addition, we have shown the ongoing savings for the Governance model below, after the capital receipts have been realised.

4.8 We have seen a list of 32 properties that would be potentially surplus to requirements. Of those a number are freehold and could be sold to achieve a capital receipt as well as producing a saving in running costs. The remaining properties are leasehold and a saving in lease and running costs would be achieved on rationalisation. As with enabling services the cost model then applies a further percentage to the figures to indicate the probability of the projected savings actually being achieved and these figures are contained in the table on Page 12 of the detailed Finance Workings section of the LBC. For the Do Nothing option the percentage applied is 75% over the ten years and 80% for the Representation model. For the Single Employer model the figure is 95% in each year. For the preferred option, the Governance model, the figure is also 95% in each year. Applying the figures for estates rationalisation to each model produces the following savings in cash terms over the ten years of the model:

- Do Nothing: £8.0m;
- Representation model: £8.5m;
- Governance model: £12.8m;
- Single Employer model: £13.5m.

4.9 Included within the above calculations are implementation costs of £764K in respect of the disposal of the properties. This figure applies to all four models. The calculations also refer to ongoing running costs incurred for some non-fire properties. Page 79 of the LBC states that only 60% of the running costs will be saved in the No Change and Representation models but the figure will be 90% for the Governance and Single Employer models. These costs have been grouped as implementation costs in the LBC and total £3,676K for the No Change and Representation models and £1,492K for the Governance and Single Employer models. Based on our discussions with officers in the OPCC it would be more appropriate to describe these as implementation and increased running costs. These figures have been extracted from the Addendum to the LBC, specifically on Page 12 of the detailed Finance Workings section.

4.10 The total value of capital receipts included in the savings calculations is £7.6m. The ongoing annual saving under the Governance model is £814K p.a. from 2021/22 onwards. All the figures shown are net of implementation costs on capital receipts and running costs as described above. There is also a reduction in value included for one property due to the existing use value probably being higher than the market value (£837K).

Conclusion on financial implications and implementation costs

4.11 We have reviewed the detailed calculations in the supporting spreadsheets and we have examined the rationale for the assumptions in the model. With regard to the calculations we have seen detailed spreadsheets that set out the basis for the governance, enabling services and estates rationalisation savings and the accompanying implementation costs. The implementation costs for governance and enabling services are based on historical costs of redundancy and the OPCC's and business case authors' previous experience of costs for project management, legal advice and services. The implementation costs for estates rationalisation have been based on expert input from the Property Manager. Based on the information that we have seen we are of the view that the calculations for savings and implementation costs are not unreasonable.

4.12 The methodology in the LBC also applies a range of percentages to the calculated figures to reflect the probability of the savings being achieved. The probabilities are applied to the savings on both enabling services and estates rationalisation and we have set out the details above cross referenced to the relevant pages in the LBC. Page 69 of the LBC states that the percentages “have been assigned numerical values for probability based on the judgement of a group of senior managers and leaders from Staffordshire Fire and Rescue, Staffordshire Police and the OPCC, working jointly as a steering group for this business case.” The LBC goes on to state that “The probabilities and the timing adjustments have been applied to the estimates of the savings potential to calculate a value for each option”. Given that the probabilities are based on judgement we have not been able to substantiate these numbers objectively.

Economy

4.13 All of the savings analysed above arise from efficiency savings due to reductions in employee numbers or through the rationalisation of estates. The LBC does not quantify savings arising specifically from the acquisition of inputs at lower prices through, for example, better procurement. We therefore posed the question of “Why is there an absence of quantified economy savings?” to the officers from the OPCC that we interviewed during the course of our review.

4.14 In response the officers stated that their approach to the LBC had been cautious and that savings from bought in goods and services had not been included. They referred to existing examples of reduced cost through better purchasing and the fleet management exercise was cited as a specific example. This project had created savings of around £900K p.a. with a mixture of economy and efficiency savings. Better fleet purchasing was quoted as an example of achieving economy savings with the Fire Service using the joint vehicle procurement contract. Officers confirmed that there is a joint stores service that has delivered economy savings and that a joint procurement service could be accelerated under the Governance model. Officers also considered that savings in the future could come through the purchase of IT services on more advantageous terms and through the creation of a shared procurement service. However, these areas have not been quantified at this stage and would require the production of a separate business case.

Conclusion on economy

4.15 Our overall view on economy is that it has received little attention in the LBC and there is an absence of quantified benefits in relation to any reduced costs of inputs. Examples were cited where economy savings have been achieved and where further savings could be achieved in the future. In our experience of other organisation mergers, benefits can be obtained by better procurement and the realisation of the benefits of purchasing on a larger scale and it would be reasonable to expect benefits to arise in this area. However, there is no quantified benefit in the LBC.

Efficiency

4.16 As we noted above, all of the savings in the LBC arise from efficiency savings. Under the Governance model these amount to around £36.4m on a cash basis or £30.0m at NPV. However, some £7.6m of the savings are from one-off capital receipts which reduces the cash savings to £28.8m over the ten years from 2018/19 to 2027/28. We have been able to examine the detailed workings and assumptions supporting these figures. Our assessment has been based on an examination of supporting spreadsheets and interviews with the officers responsible for compiling the numbers used in the LBC. In the time available we have not been able to assess the suitability of those posts identified for deletion nor the suitability of those parts of the estate identified for disposal.

Conclusion on efficiency

4.17 As with all business cases the figures are subject to challenge and a different set of results could be obtained by changing the assumptions. Some of the interviewees that we spoke to felt that the case for the Do Nothing and the Representation model had been understated and that the full range of benefits could be obtained simply through greater collaboration. Notwithstanding those arguments there is evidence in the LBC to support the figures quoted. Indeed, the Single Employer model produces a larger savings figure but it has not been recommended owing to the perceived increased difficulty in implementation. Our overall conclusion is that the figures for efficiency savings included in the LBC are not unreasonable.

Effectiveness

4.18 This section assesses the extent to which the Staffordshire LBC satisfies the Effectiveness statutory test, as defined at the start of this section.

The stated objective of the LBC is to identify which form of governance arrangement would best drive forward further potential collaboration and the associated realisation of benefits to communities in Staffordshire, including increased effectiveness. Our assessment considers both:

- The potential effectiveness of the recommended future governance model per se:
- The increased effectiveness that might be derived from improved collaboration resulting from the change in governance.

4.19 The LBC proposes a move to the Governance Model as its preferred option and references a number of sources and arguments, as detailed below.

4.20 Page 12 of the LBC mentions the positive national impact of the introduction of PCCs, evidenced by a quote from the Home Affairs Select Committee in March 2016 that “the introduction of Police and Crime Commissioners has worked well to date and has had some beneficial effect on public accountability and clarity of leadership in policing”.

- 4.21 Page 37 and Appendix B of the LBC quote examples of the impact of the Staffordshire PCC, which have been delivered with the support of the Police and Crime Panel and the Ethics, Transparency and Audit Panel (ETAP). These include:
- The Child Exploitation strategy;
 - The Staffordshire Victim Gateway, which provides more tailored support for victims of crime and reaches greater numbers of victims;
 - Establishing 11 Safer Neighbourhood Panels across Staffordshire, providing an opportunity for people to shape policing in their local areas;
 - Joint working between NHS and police staff to ensure that people experiencing mental health issues receive the right support;
 - The establishment of ETAP, which is recognised nationally for its work in holding policing to account across a number of areas.
- 4.22 As stated on Page 27, the Fire and Rescue Service is governed currently by Staffordshire and Stoke-on-Trent Fire and Rescue Authority (FRA), which consists of 21 elected Councillors representing Staffordshire County Council and Stoke-on-Trent City Council, who are appointed to the FRA. The FRA operates through nine permanent and ad hoc committees, including Strategy and Resources, Audit and Service Improvement.
- 4.23 The FRA does receive praise in the 2016 Staffordshire Fire and Rescue Service Peer Challenge Report, referenced on Page 38 of the LBC, which commended “the close alignment between the political and professional leadership of Staffordshire Fire and Rescue Service” and “identified some positive examples of scrutiny in individual areas”. However, it went on to raise some concerns in relation to scrutiny in that “There does not appear to be a consistent understanding amongst members of the value of scrutiny. The overall sense is that this key function is often seen to be about receiving reports, with some debate of the issues. The opportunity is for scrutiny to play a more confident and proactive role in challenging thinking, and identifying areas which may need stronger focus. There also does not seem to be a consistent recognition from members of their overall political leadership role in driving change when this is required; different members appeared to be in different places in terms of offering political leadership to the whole of the Service, rather than focussing on representing their own local areas”.
- 4.24 Following the Peer Review, the Chair of the FRA has developed an action plan. However, the LBC suggests on Page 39 that a single governance body in the form of the PCC is potentially more effective in terms of balancing the local views and the county-wide perspective, is more streamlined and increases the likelihood of agreement and commonality of purpose and is likely to raise the profile and influence of the Fire and Rescue Service as it has for the Police Service. Some of the senior Police and Fire personnel we interviewed also endorsed the view that one person can reduce bureaucracy and increase the speed, and potentially also the quality, of decision making, although some objections were voiced during the consultation exercise about too much power being vested in the PCC.

- 4.25 Turning to the argument of enabling increased operational effectiveness, the LBC quotes on Pages 30 and 31 and in its Appendix A, a number of examples where there is already collaboration between Staffordshire Police Service and other Forces, Staffordshire Fire and Rescue and other Fire and Rescue Services (including a joint control centre with West Midlands FRS) and Staffordshire Police and Fire and Rescue Services. Staffordshire Police and Fire Services are already delivering over £900,000 in savings per year across four different services, including a 40% saving on the cost of procuring vehicles through the use of the Police contract. Both Services have also set up a Joint Transformation Programme to explore opportunities for further transformation.
- 4.26 The LBC argues, on Page 43, that the move to a single governance arrangement under the PCC would bring increased impetus to, and accelerate the pace of, joint working and has illustrated the potential in relation to rationalising the combined building estate and moving to a shared business support service. It claims that these initiatives could lead to increased effectiveness through shared approaches and information, a more collaborative culture, improved understanding and management of risk, and earlier realisation of savings that could be re-invested in front-line operations. Although the assessments on Pages 68 and 69 are subjective, we understand that these have been discussed with stakeholders during the development of the LBC, and the LBC has applied an element of caution in terms of fairly modest financial and non-financial benefits.

Conclusion on effectiveness

- 4.27 We have seen no evidence that the Governance model would have a negative impact on collaborative working and some of the stakeholders we interviewed expressed a degree of confidence that it could increase the pace of collaboration and deliver the anticipated increase in effectiveness. On balance, our view is that the proposed change has the potential to have a positive impact on effectiveness.

Public Safety

- 4.28 As part of our independent assessment we have looked at the issue of public safety, although the guidance from the Home Office is that we are only expected to comment on this issue where we identify something on which comment is required. By its nature this is a very subjective area to assess and the benefits are not easily quantified. We have therefore relied on the relevant section of the LBC and our interviews to form a view. In terms of public safety the LBC defines the critical success factors as "Working together to keep communities safe and reassured; improving the health, safety and well-being of communities; preventing incidents and crime; bringing offenders to justice."
- 4.29 The first crucial point to consider is that the two organisations will remain as separate entities for day-to-day operational activities. Each will be led by a head of service reporting to one chief officer. This is recognised in the LBC where two assumptions have been set out as follows:

- “At the point of transfer of governance there would be no immediate change to sharing protocols between the services and other partners. These will be reviewed as part of the next phase of joint transformation particularly for joint working initiatives for operational, prevention and support areas, including intelligence sharing and estates sharing; and
 - Any changes to joint working would be managed under the joint transformation programme to sound project methodologies from concept of an initiative to delivery without any detriment to public safety. Before implementation, any initiative will be subject to a business case and explicit authorisation across a number of criteria of which public safety would be key.”
- 4.30 The LBC goes on to assess each governance option against five areas of public safety, namely the impact of closer alignment on both services’:
- Prevention and public protection activities;
 - Ability to share information, build a more comprehensive and cohesive picture of risk to and within communities, provide a more targeted public protection service and enhance safety to both services’ officers whilst going about their daily duties;
 - Emergency response capabilities;
 - Ability to meet their national commitments in dealing with critical threats and incidents;
 - Ability to generate savings and reinvest them in frontline public protection activities.
- 4.31 The LBC stresses the importance of information sharing and lists examples of where this could enhance services to the public:
- Fire and Rescue staff, when called to incidents, being able to access details about premises with licensed firearms;
 - Fire and Rescue staff being able to share appropriate details when attending car fires with Police colleagues and vice-versa;
 - Fire and Rescue staff being able to access appropriate details when attending incidents involving people with a history of violence or domestic abuse, as this may pose a risk to their safety;
 - Police officers being able to access plans of premises where these are held by the Fire and Rescue Service and are helpful to police operations or to other agencies e.g. ambulance service or health services.
- 4.32 For the future the LBC points to three main opportunities for data sharing:
- The first is the advent of the Emergency Services network, which is currently scheduled to be implemented in Staffordshire in 2019. Staffordshire Fire and Rescue Service is intending to take this opportunity to upgrade the whole of its physical estate to meet the Public Service Network (Police) Code of Connection requirements. This will enable police officers, who share Fire and Rescue facilities, to access police systems from those facilities.
 - The second is the strategic ICT partnership that the PCC signed with Boeing Defence UK in 2016, which is intended to help meet the PCC’s pledge “to make Staffordshire Police the most technologically advanced local force in the UK.”
 - Staffordshire Police’s new target operating model envisages the creation of a centralised analytical capability supported by joined up information and analytic technology called the Knowledge Hub.

4.33 The LBC concludes that the Governance model “is the option that would most enhance public safety when the implementation phase is considered.” This assessment is based on the benefits of information sharing and more integrated working without the potential for greater disruption that might be caused by the Single Employer model.

4.34 In addition to our review of the LBC we also discussed the issue of public safety with representatives from the OPCC, the Police Force, the Fire and Rescue service and from the two tier 1 local authorities. The views expressed are summarised below:

- There is scope to improve matters through information sharing and joint working. More work on prevention will be possible with the integration of fire prevention with crime safety. Current progress is slow due to the lack of joint governance and one structure will increase collaboration;
- Culture change will be a major barrier to increased joint working and hence a risk to public safety;
- Disruption due to staff reductions could cause a risk to public safety;
- Current collaboration arrangements are capable of delivering improvements to public safety.

Conclusion on public safety

4.35 As we noted above, this is a very subjective area to assess. From the evidence in the LBC and from our discussions with the individuals described above the main arguments appear to centre around greater clarity in decision making, greater sharing of information and closer working particularly around prevention services. Also, the two services will remain as separate organisations for operational purposes, and no major operational changes have been proposed in the LBC. On that basis we have concluded that there is no increased risk to public safety due to the proposed change in governance and that there may be benefits in the future.

Our Overall Conclusion

4.36 We have been asked to provide an independent assessment of whether or not the Staffordshire PCC's Section 4A proposal, to take on the governance of the Staffordshire Fire and Rescue Service, meets the statutory tests of being in the interests of:

- Economy, efficiency and effectiveness;
- Public Safety.

4.37 We set out our overall assessment below. This is based on the work that we have carried out which we have described in the second section of this report. Our assessment under each of these headings is as follows:

- **Economy** - Our overall view on economy is that it has received little attention in the LBC and that there is an absence of quantified benefits in relation to any reduced costs of inputs. Examples were cited where economy savings have been achieved and where further savings could be achieved in the future. However, there is no quantified benefit in the LBC. On that basis we are unable to reach an objective conclusion on whether the proposal will meet the test of increased economy. However, experience of mergers in local authorities and other organisations suggests that greater economy can be achieved through common specifications, enhanced purchasing expertise and economies of scale;
- **Efficiency** - As we noted above, all of the savings in the LBC arise from efficiency savings. Under the Governance model these amount to around £36.4m on a cash basis or £30.0m at NPV. However, some £7.6m of the savings are from one-off capital receipts which reduces the cash savings to £28.8m over the ten years from 2018/19 to 2027/28. It could be argued that most of these savings could be achieved under any one of the four governance options. The only savings which can be attributed directly to the Governance model are those arising from changes in the structure of the OPCC and the FRA. The Addendum to the LBC provides the detailed Finance Workings and on Page 7 of the workings the following savings and additional costs are shown for the Governance Model:
 - Staffs FRA – shows savings of £278K p.a. from 2019/20 onwards;
 - Rationalise S151 officers – produces a saving of £94K p.a. from 2020/21 onwards;
 - Expansion of the Police & Crime Panel to become the Police Fire & Crime Panel (PF&CP) and specialist advice to the PCC – provides additional cost of £119K

This leads to a net cost reduction of £253K p.a. from 2020/21. The net cost of the PF&CP will be £1,258K, under the Governance Model, compared with £1,511K for the No Change option. In addition, there are one-off implementation costs totalling £209K spread across 2018/19 and 2019/20.

Overall, we can conclude that the figures included in the LBC are reasonable and that the Governance Model will be in the interests of efficiency. However, the savings directly attributable to the change are modest. Any change to the assumptions contained in the LBC, and described in this report would lead to a significant change in the benefits that could be derived from the other models.

- **Effectiveness** – We have reviewed the statements on effectiveness in the LBC and we have noted the comments of the Staffordshire Fire and Rescue Service Peer Challenge Report which is referenced on Page 38 of the LBC. This report commended “the close alignment between the political and professional leadership of Staffordshire Fire and Rescue Service” and “identified some positive examples of scrutiny in individual areas”. However, it went on to raise some concerns in relation to scrutiny and political leadership. The LBC suggests, on

Page 39, that a single governance body in the form of the PCC is potentially more effective in terms of balancing the local views and the county-wide perspective, is more streamlined and increases the likelihood of agreement and commonality of purpose and is likely to raise the profile and influence of the Fire and Rescue Service as it has for the Police Service. Some of the senior Police and Fire personnel we interviewed also endorsed the view that one person can reduce bureaucracy and increase the speed, and potentially also the quality, of decision making. We could find no evidence to contradict the LBC's recommendation. Allowing for a degree of subjectivity, we have seen no evidence that a single governance model would have a negative impact on collaborative working and some of the stakeholders we interviewed expressed a degree of confidence that it could increase the pace of collaboration and deliver the anticipated increase in effectiveness. On balance the proposed change has the potential to have a positive impact on effectiveness.

- 4.38 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 meets the statutory test of economy, efficiency and effectiveness. Having reached that conclusion we would add that there is no overwhelming case for change and that most of the proposed changes could be achieved under the other three options, subject to the willingness of all the stakeholders to work together.
- 4.39 With regard to **Public Safety** the LBC concludes that the Governance model "is the option that would most enhance public safety when the implementation phase is considered." This assessment is based on the benefits of information sharing and more integrated working without the potential for greater disruption that might be caused by the Single Employer model.
- 4.40 In addition to our review of the LBC we also discussed the issue of public safety with representatives from the OPCC, the police force, the fire and rescue service and from the two tier 1 local authorities. The views expressed are summarised below:
- There is scope to improve matters through information sharing and joint working. More work on prevention will be possible with the integration of fire prevention with crime safety. Current progress is slow due to the lack of joint governance and one structure will increase collaboration;
 - Culture change will be a major barrier to increased joint working and hence a risk to public safety;
 - Disruption due to staff reductions could cause a risk to public safety;
 - Current collaboration arrangements are capable of delivering improvements to public safety.
- 4.41 As we noted above, this is a very subjective area to assess. From the evidence in the LBC and from our discussions with the individuals described above the main arguments appear to centre around greater clarity in decision making, greater sharing of information and closer working particularly around prevention services. Also, the two services will remain as separate organisations for operational purposes. On that basis we have concluded that there is no increased risk to public safety due to the proposed change in governance and that there may be benefits in the future.

Appendix A: Letter from the Home Secretary



Home Secretary

2 Marsham Street
London SW1P 4DF
www.gov.uk/home-office

Mr John O'Halloran
Director Business Advisory and Consultancy
Chartered Institute of Public Finance & Accountancy (CIPFA)
77 Mansell Street
London
E1 8AN

17 November 2017

Dear Mr John O'Halloran,

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

On 3 October I received a proposal from Staffordshire's Police & Crime Commissioner (PCC) to take on governance of Staffordshire 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 made¹, and establish a PCC style 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"). I am only able to make such an order where it appears to me that it is in the interests of economy, efficiency and effectiveness or in the interests of public safety. I may not make an order if I think that such an order would have an adverse effect on public safety.

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

The Act requires PCCs to consult on their proposal with the following parties; each relevant local authority², 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 that it does not support 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 will then be required to obtain an independent assessment of the proposal and take into account its findings when making the final decision whether or not to approve the PCC's proposal.

I am 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 I think is appropriate.

For the avoidance of doubt, the independent assessment is not a substitute for the Secretary of State decision making process. I would not be properly discharging my duties by simply adopting the conclusions of an independent assessment, and anyone undertaking the independent assessment function is not discharging my 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 the Staffordshire PCC's proposal to transfer governance of Staffordshire Fire and Rescue Service from Stoke-on-Trent and Staffordshire Fire and Rescue Authority to the PCC in its 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 of course a matter for you I would ask you, in particular, to provide your view on the totality of potential costs of implementation.

In order to form a view against the statutory tests, you may wish to engage with the Office for the PCC for Staffordshire, Stoke-on-Trent and Staffordshire Fire and Rescue Authority, Staffordshire County Council and Stoke-on-Trent City Council. Please have regard to the 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 the request. However, this may be extended dependent 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:

- 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.

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

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 Staffordshire 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 FRA (Councillor Stephen Sweeney), the leader of Staffordshire County Council (Councillor Philip Atkins OBE), the leader of Stoke-on-Trent City Council (Councillor Dave Conway) and the Staffordshire PCC (PCC Matthew Ellis).

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Amber Rudd', written in a cursive style.

**Rt Hon Amber Rudd MP
Home Secretary**

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 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 that they have been unable to form a view on, 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

Our independent assessment reviewed and referenced the following documents:

No.	Title of Document	Author	Date
1.	Staffordshire Business Case SOT	Prederi Consultants	03/10/2017
2.	Fire Police Integration	OPCC	05/12/2016
3.	Staffordshire PCC Consultation Response	PCC	04/09/2017
4.	Copy of Staffs Business Case FINANCE EXCEL	Prederi/OPCC	
5.	Copy of Finance Workings	OPCC	30/11/2017
6.	0403 SRMB-9.11.17 25.10.17 Strategic Risk Register	Not recorded	12/10/2017
7.	05 Force Governance 20 11 17 qn958cq	Not recorded	20/11/2017
8.	05 PCC Governance Chart	OPCC	
9.	06 HMIC PEEL Efficiency Inspection Debrief	HMICFRS	27/10/2017
10.	Draft Budget 17.18 PCP Report V4 Including Capital	Barry Dryden, Interim CFO	16/03/2017
11.	FINAL Chief Constable Annual Governance Statement 24.08.17	Chief Constable, Deputy and CFO	24/08/2017
12.	Item 9 (vii) 16-17 autumn report – issued to ETAP 23 June 2017	Lisa Andrews, Chief Internal Auditor	23/06/2017
13.	OPCC Strategic Risk Register 2017.18 Updated 01 11 2017	OPCC	01/11/2017
14.	PCC and CC Staffordshire 2016-17 Audit Results Report Updated	Ernst and Young LLP	23/08/2017
15.	Peel-Police-Effectiveness-2016-Staffordshire	HMIC	03/2017
16.	Peel-Police-Effectiveness-2017-Staffordshire	HMICFRS	11/2017
17.	Police-and-Crime-Commissioner-Staffordshire Accounts 2016-17	OPCC CFO	2017
18.	2016-17 ISA 260 Stoke on Trent and Staffordshire Fire Authority Audit Findings Report	Grant Thornton	26/07/2017
19.	2016-17 ISA 260 Stoke on Trent and Staffordshire Fire Authority Internal Audit Report	Lisa Andrews, Chief Internal Auditor and Ed Cooke, Audit Manager	26/07/2017
20.	2017 Combined pdf of Terms of Reference	FRA	2017
21.	2017 Governance and Organisational Structure	FRS and FRA	2017
22.	Corporate Safety Plan 2017 - 20	FRS and FRA	2017
23.	Staffordshire FRS Peer Challenge Report FINAL	CFOA and LGA	03/2016
24.	Statement-of-assurance 2015-16	FRS	2016
25.	Stoke on Trent and Staffordshire FRA Revenue Budget and Capital Programme	FRA	Not recorded
26.	Stoke on Trent and Staffordshire FRA Statement of Accounts 2016-17 including AGS	Dave Greensmith	26/07/2017
27.	Strategic Risk Register v54 November 2017	OPCC	11/2017
28.	Letter from Ruth Smeeth MP and Gareth Snell MP		13/11/2017

Appendix C – List of Consultees

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

Name	Title	Organisation	Date	Method
Matthew Ellis	PCC	Staffordshire Police	29 th November	Individual face-to-face interview
Gareth Morgan	Chief Constable	Staffordshire Police	29 th November	Individual face-to-face interview
Glynn Dixon	Chief Executive	Office of the PCC (OPCC)	29 th November	Group face-to-face interview
Fiona Tamplin	Programme Manager for the Joint Police and Fire Transformation Programme	OPCC	29 th November	Group face-to-face interview
Steve Cutler	Chief Finance Officer	Staffordshire Police	29 th November	Group face-to-face interview
Bipon Bhakri	Director of Finance and Performance (Section 151 Officer)	OPCC	29 th November	Group face-to-face interview
Becci Bryant	Chief Fire Officer	Staffordshire Fire and Rescue Service	29 th November	Individual face-to-face interview
Dave Greensmith	Section 151 Officer	Staffordshire Fire and Rescue Service	29 th November	Individual face-to-face interview
John Henderson	Chief Executive	Staffordshire County Council	29 th November	Group face-to-face interview
Rob Salmon	Deputy Section 151 Officer	Staffordshire County Council	29 th November	Group face-to-face interview
Rob Flinter	Head of transformation / Change	Staffordshire County Council	29 th November	Group face-to-face interview
Sarah Getley	Head of HR	Staffordshire County Council	29 th November	Group face-to-face interview
David Sidaway	Chief Executive Officer	Stoke-on-Trent City Council	30 th November	Group telephone interview
Nick Edmunds	Section 151 Officer	Stoke-on-Trent City Council	30 th November	Group telephone interview
Fiona Leddon	HR	Stoke-on-Trent City Council	30 th November	Group telephone interview and subsequent clarification calls
Philip Atkins	Leader	Staffordshire County Council	15 th December	Individual face-to-face interview

Appendix D – List of Key Areas Explored

The following is a list of the key areas explored during the course of our independent assessment:

- Views of individuals on the LBC;
- Detail of the financial calculations and assumptions;
- The level of ambition in the projected savings;
- Specific questions on economy, efficiency and effectiveness;
- Specific questions on public safety;
- The extent of collaboration achieved to date and planned;
- The extent to which change is dependent on a change of governance arrangements;
- Implementation plans, resource requirements and time scale.