



## Dorset Fire Authority

MEETING	Dorset Fire Authority
DATE OF MEETING	4 November 2014
OFFICER	Chief Fire Officer
SUBJECT OF THE REPORT	Strengthening our Fire and Rescue Service - Full Business Case
EXECUTIVE SUMMARY	<p>At its meeting on 5 December 2013, the Fire Authority agreed a number of recommendations which in essence approved a due diligence process with the Wiltshire and Swindon Fire Authority to develop a business case, appropriate governance arrangements and submit a transformation bid in relation to a potential merger between the two Authorities.</p> <p>This work has continued during 2014 and has been overseen by a Combination Oversight Board, with regular progress reports being considered by both Authorities.</p> <p>A 13-week consultation process took place between 21 July and 20 October 2014 and the outcomes will be reported to Members separately.</p> <p>In alignment with the consultation, the business case (Appendix A) provides analysis of the financial and operational benefits and risks associated with the three scenarios.</p> <p>These scenarios are as follows:</p> <ul style="list-style-type: none"> <li>◆ Scenario 1 - Remain independent and increase collaboration with Bournemouth Borough Council, Dorset County Council and the Borough of Poole.</li> <li>◆ Scenario 2 - Remain independent and increase collaboration with Wiltshire and Swindon Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole.</li> <li>◆ Scenario 3 - Merge with Wiltshire and Swindon Fire Authority, to create a single Combined Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole.</li> </ul>

<p><b>RISK ASSESSMENT</b></p>	<p>As part of the due diligence process associated with the development of the full business case, a comprehensive public and stakeholder consultation programme has been undertaken. This has also been externally validated and deemed as 'good practice'.</p> <p>The scenarios within the business case have been assessed against the following strategic aims:</p> <ol style="list-style-type: none"> <li>1. Continue to be financially secure now and in the future to maintain front-line services and in so doing ...</li> <li>2. Maintain and where possible improve operational performance to strengthen front-line services.</li> <li>3. Maintain and where possible improve organisational performance and resilience.</li> </ol> <p>The business case includes a wide range of parameters and information to support Members' decision-making. A risk assessment has been produced for each scenario together with an environmental impact assessment and an assessment against transitional risks.</p>
<p><b>COMMUNITY IMPACT ASSESSMENT</b></p> <p><i>Note: If the matrix indicates negative impacts on the community or staff, an inclusivity impact assessment (IIA) will need to be completed.</i></p>	<p>Each scenario has been subject to an Inclusivity Impact Assessment. The outcomes of these assessments are contained within the business case.</p>
<p><b>BUDGET IMPLICATIONS</b></p>	<p>Scenario 1: Level of likely savings by 2017/18 of £0.56m leaving a remaining annual budget gap of £1.75m.</p> <p>Scenario 2: Level of likely savings by 2017/18 of £1.3m leaving a remaining annual budget gap of £1m.</p> <p>Scenario 3: Level of likely savings by 2017/18 of £6m annually allowing a balanced budget to be set in 2017/18 and 2018/19 using surplus transition reserves.</p>

RECOMMENDATIONS	It is recommended that Members: <ol style="list-style-type: none"><li>1. Fully consider and discuss the analysis and detail of each potential scenario outlined within the business case.</li><li>2. Determine a preferred scenario/direction and in so doing have regard to the preferred direction of the Chief Fire Officer and Treasurer in their support of a combination as per scenario 3.</li><li>3. Consider the issues associated to a potential combination that are outlined in Appendix 2 of the business case and in particular approve in principle a new Fire Authority with equal membership from the two existing Fire Authorities.</li><li>4. Following the decision in respect of the above, approve that the Chairman, in consultation with the Clerk and Chief Fire Officer, inform the Wiltshire and Swindon Fire Authority of the decision.</li></ol>
BACKGROUND PAPERS	A range of background documents and assessments available on the website
APPENDICES	A: Strengthening our Fire And Rescue Service - Full Business Case: November 2014
REPORT ORIGINATOR AND CONTACT	Darran Gunter, Chief Fire Officer Tel: (01305) 252604

## 1. Introduction

- 1.1 At its meeting on 5 December 2013, the Fire Authority considered a report titled '*Securing our Future Fire and Rescue Services*'. The report contained the following recommendations:
1. Subject to due diligence and a full business case in September 2014, both Authorities work towards the goal of a combined Authority in April 2016 whilst maintaining local identity.
  2. A Joint Political Oversight Board is established as set out in Appendix B and councillor nominations be agreed through the Chairmen and Clerks to the Authorities.
  3. Programme arrangements should be formalised to develop and deliver converged functions under single management teams.
  4. A joint bid be developed and submitted to DCLG to try to secure resources from both the Government's £30m Efficiency Resource Fund and £45m Fire Efficiency Incentive Fund. The bid to be approved by respective Chairmen, CFOs and Treasurers.
- 1.2 Following some changes in the membership and Chairman of the Wiltshire and Swindon Fire Authority, it was agreed that the final business case and consultation would focus on three scenarios which are basically to stand alone, undertake shared services or to combine. Each scenario also assumes that the current level of working with local authorities and partners will continue, and in many areas increase.
- 1.3 In terms of future financial projections, it is anticipated that by 2017/18 the DFA will face a deficit of between £2.3m and £3.2m. The difference in this deficit is dependent on decisions in the preceding years in relation to any increases in Fire precept.
- 1.4 In crude terms, the deficit will equate to a loss of 61 to 84 full-time firefighter posts from the 210 full-time firefighter posts should alternative means of finding efficiencies not be available.
- 1.5 To date, we have managed to prevent cuts to our vital front-line services through a range of measures such as vacancy management, cuts to back-office functions and working in partnership with others. This has served us well, however, it is clear that savings from support service staffing costs (£2.95m) alone cannot bridge the financial gap, particularly with these departments already operating with no or minimal levels of resilience.

## 2. Options for Change

- 2.1 After exploring a wide range of future options, including closer working with a range of fire and rescue service partners, the Fire Authority settled on three main scenarios to analyse and consult upon. These were:

- ◆ Scenario 1 - Remain independent and increase collaboration with Bournemouth Borough Council, Dorset County Council and the Borough of Poole.
- ◆ Scenario 2 - Remain independent and increase collaboration with Wiltshire and Swindon Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole.
- ◆ Scenario 3 - Merge with Wiltshire and Swindon Fire Authority, to create a single Combined Fire Authority, while also collaborating with Bournemouth Borough Council, Dorset County Council and the Borough of Poole.

2.2 The principal strategic aims to be met are:

1. Continue to be financially secure now and in the future to maintain front-line services and in so doing ...
2. Maintain and, where possible, improve operational performance to strengthen front-line services.
3. Maintain and, where possible, improve organisational performance and resilience.

### 3. Consultation

- 3.1 A comprehensive public and stakeholder consultation programme was undertaken, which was externally validated and deemed as good practice. Whilst there have been some voices against scenario 3, the public have overwhelmingly supported it. The main concerns raised are the dilution of local accountability and the need to ensure a continued strong organisational performance. Staff consultation indicates that there is a general acceptance that the financial imperatives are such that transformational change is required.
- 3.2 Whilst there are natural concerns about job security and future changes to terms and conditions, there is a majority view that scenario 3 is the best strategic path to follow. Representative bodies have expressed a mixed and cautious response, and have echoed staff concerns about job security, the protection of terms and conditions of employment, and the need for a well-managed transition period.

### 4. Emerging Issues

- 4.1 During the later stages of the consultation there were three key issues that stakeholders requested reassurance on. These issues were in respect of the process for harmonisation of council tax, the potential composition of the new fire Authority and assurance regarding full information and evidence to support the final business case.

#### 4.2 Harmonisation of Council Tax

- 4.2.1 Should both Fire Authorities decide to combine, then it will be necessary to harmonise levels of fire precept. The difference in fire precept between us and Wiltshire is currently only £2.98 (but could be £4.32 by 2016/17, assuming both authorities continued to

increase fire precept by 2% each year). There are three potential options for precept equalisation for the combination:

- A. Equalise to Dorset's Band D council tax in April 2016; or
- B. Equalise to an average of Dorset and Wiltshire Band D council tax in April 2016; or
- C. Equalise Band D council tax over a 5 year period.

- 4.2.2 Option A above could provide additional long-term funding of around £0.75m each year, based on a 2% precept increase. This would significantly reduce any remaining funding gap, particularly in the years after 2017/18 when we are still expecting further government funding reductions. Should the local referendum limit be reduced in 2015/16 and/or 2016/17, option 1 would reduce the financial risk to the combination.
- 4.2.3 Option B has no positive or negative impact on the future funding gap, based on a 2% precept increase. This option would be impacted by a reduction in the local referendum limit. A 1% change would make a difference of £330k.
- 4.2.4 Option C would increase the funding gap faced by the new Authority, even on the best case assumption of a 2% increase in fire precept.
- 4.2.5 The new CFA will be subject to local referendum principles, just like any other fire authority. For 2016/17 the new CFA's fire precept will be compared to a notional fire precept assuming the new CFA had existed in 2015/16. This notional fire precept is known as an 'Alternative Notional Amount' (ANA). There is no fixed process for calculating the ANA and this gives some scope to deal with issues around the harmonisation of the fire precept and the current difference between Dorset and Wiltshire. For instance, it may be possible to set the ANA for the new CFA at Dorset's fire precept for 2015/16. Both Chairmen and officers have been working with DCLG officials to agree on a timescale and approach for calculating the ANA. Ultimately the ANA will need Ministerial approval. More clarity on this should be available by the time of the Fire Authority Meeting.

#### 4.3 **The Potential Composition of the new Fire Authority**

- 4.3.1 Throughout the consultation process, many of the constituent councils have sought reassurance regarding their level of representation on any new Fire Authority. Previously both Authorities have discussed a new Fire Authority of 28 where the existing numbers and proportionality of the existing Fire Authorities is combined.
- 4.3.2 A membership of 28 would comprise the existing membership of the Dorset Fire Authority (Dorset County Council = 8, Bournemouth Borough Council = 4, and Borough of Poole = 3), and also the existing membership of the Wiltshire and Swindon Fire Authority (Wiltshire Council = 9, and Swindon Borough Council = 4).
- 4.3.3 During discussions with local Fire Authority Members and respective constituent councils, there have been a number of views regarding the potential need for equality of Members

from each combined fire authority to a new Authority. There have also been assurances sought from constituent councils that the level of membership at least initially will remain at current levels. Conversely, some existing Fire Authority Members have suggested that a full Fire Authority of 28 may be too large.

- 4.3.4 Whilst there is no statutory limit on the size of the Fire Authority, there are many Combined Fire Authorities with 25 Members. This is particularly common where the Combined Fire Authority represents a large number (four or more) of constituent councils and therefore needs to ensure adequate representation. In terms of allocations, whilst DCLG officials have indicated that numbers and allocation is a matter for any new Combined Fire Authority, traditionally this has been done on the basis of the population share of the constituent council.
- 4.3.5 A pragmatic way forward to address all concerns and to maintain assurance to constituent councils may be to provide for an additional two Members comprising one new Member each nominated from Swindon and Wiltshire. Whilst this will take the full Authority to 30, the potential inclusion of a Policy and Resources Committee would ensure that the Fire Authority maintains agility and focus, particularly in the early years.
- 4.3.6 I am aware that the Wiltshire and Swindon Fire Authority will request our view on equality of membership.

#### 4.4 **Full information and evidence to support business case report**

- 4.4.1 In addition to the full business case in Appendix A, the following information is available on our website.
- ◆ Statutory and legal compliance register
  - ◆ Scenario 3: Draft vision statement
  - ◆ 2020 strategic assessment
  - ◆ Safer 2020 Strategic assessment
  - ◆ Strengthening our fire and rescue service. Public consultation 2014
  - ◆ Strategic options appraisal.
  - ◆ Consultation report from Opinion Research Services to CFA 11 November 2014
  - ◆ Transitional risk assessment for new CFA
  - ◆ Risk assessments for all scenarios
  - ◆ General financial reserves for new CFA
  - ◆ People impact assessments for all scenarios
  - ◆ Environmental assessments for all scenarios
  - ◆ Audit reports on savings and investments from Swindon Borough Council, South West Audit Partnership and KPMG

## 5. Conclusion

- 5.1 The attached business case provides comprehensive information on the financial savings that are available against each scenario and the impacts that each scenario would have on service delivery in order to ensure a balanced budget could be set in the future.

**DARRAN GUNTER**

Chief Fire Officer

27 October 2014