

# Independent Assessment of the Proposal for a PCC-style FRA for North Yorkshire

24 January 2018

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# 1. Introduction

- 1.1 The Policing and Crime Act 2017 received royal assent on 31<sup>st</sup> 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 North Yorkshire 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 North Yorkshire 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 his letter requesting that CIPFA should undertake an independent assessment of North Yorkshire's Section 4A proposal, the Minister of State for Policing and the Fire Service made it clear that our assessment must provide a conclusion on whether we consider that the relevant statutory tests, in this case economy, efficiency and effectiveness (the 3 Es), have been met and whether there would be 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 that in particular, you provide a judgement on the evidence to support the potential financial savings achievable as a result of a move to the governance model" 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 North Yorkshire PCC's proposal to transfer governance of the North Yorkshire 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 Minister of State for Policing and the Fire Service, we have engaged with the Office for the PCC for North Yorkshire (OPCC), with the North Yorkshire Fire and Rescue Authority, North Yorkshire County Council and City of York Council. We have also had due regard to the requirements set out in Annex A to the Minister'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, Julia Mulligan;
- Interviewed a range of officers from the OPCC;
- Held conference calls with the Chief Constable, the Force S151 Officer and a range of other officers from the Force;
- Interviewed the Chief Fire Officer, Assistant CFO, the S151 Officer and the Head of HR for the FRS;
- Interviewed the Leader of North Yorkshire County Council;
- Interviewed the Chair of the North Yorkshire Fire & Rescue Authority;
- Held a conference call with the Leader of City of York Council;
- Held a conference call with a range of officers from North Yorkshire County Council;
- Held a conference call with the S151 Officer from City of York Council.

A full list of those interviewed is attached at Appendix C.

2.3 Our work was carried out between 20 November 2017 and 5 January 2018. The interviews were conducted on 7 and 8 December 2017 in Harrogate and by telephone on 13<sup>th</sup> December 2017. Due to an administrative error our interviews with the elected Members were not completed until 22 January 2018. The final version of the report has been amended to include relevant comments from these individuals.

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

### Preliminary Consultation Exercise

#### Process

- 3.1 While the Policing and Crime Bill was passing through Parliament, the PCC commissioned a preliminary consultation exercise in August 2016 in the form of a brief survey to understand “the public’s appetite and immediate and instinctive response to the idea of greater collaboration and integration”.
- 3.2 1,050 residents across North Yorkshire aged 18 to 75 were surveyed through a combination of telephone and face-to-face street interviews using a quota based on The Office of National Statistics (ONS) population statistics to ensure fair representation across district, age group, gender and socio-economic group.
- 3.3 Residents were asked three key questions, as follows:
  - Q1: Whether they believe that greater integration between the Fire, Police and Ambulance services in North Yorkshire is a good way to manage available resources and budgets, and to identify any specific concerns they may have.
  - Q2: Whether they prefer greater collaboration between the Police and Fire Service in North Yorkshire (Option 1), or cross-border collaboration between Fire Services involving North Yorkshire and Humberside (Option 2). Those conducting the survey quoted examples of the types of service areas that might be shared, ranging from buildings, training, systems and control centres initially to first response to incidents and community safety initiatives over time.
  - Q3: Whether they prefer the collaboration to be managed by a single elected officer i.e. the Police and Crime Commissioner, or a committee of elected Councillors.

#### Summary of Responses

- 3.4 Question 1: When asked about integration, a majority were in favour of greater integration, as follows:
  - Yes: 62%
  - No: 22%
  - Don’t know: 15%.

Note: Figures are rounded and do not necessarily add up to 100.

The concerns raised fell under three main areas, as follows:

- A suspected fall in service levels through poorer coverage and less well-trained staff;
- Further job and funding cuts;
- A reduction in efficiency due to an increased organisation size and associated leadership issues.

3.5 Question 2: When asked to choose between two options for collaboration, the results were as follows:

- Option 1: Police and Fire Collaboration within North Yorkshire: 84%
- Option 2: Cross-border Fire Service Collaboration: 16%.

3.6 Question 3: Finally, in response to management, there was a strong preference of almost two to one in favour of the PCC, as follows:

Preference	Police and Crime Commissioner	Committee of Elected Councillors
Strongly prefer	30%	15%
Slightly prefer	26%	15%
<b>Total in favour</b>	<b>56%</b>	<b>30%</b>
Don't know / not bothered	15%	

**Note:** The overall total is derived from adding together the two column totals of 56% and 30% to the 15% (Don't Know) figure. Rounding differences mean that the total is 101 rather than 100.

3.7 This survey highlighted the strong preference for a North Yorkshire collaboration model rather than a service-based, cross-border collaboration model, and a strong preference for management by the PCC. It also highlighted key areas of concern from the public that would need to be addressed at the planning and implementation stage.

## Full Consultation Exercise

### Process

3.8 The main consultation exercise was supported by Mel Research over a period of ten weeks between 17<sup>th</sup> July and 22<sup>nd</sup> September 2017.

3.9 Communication and engagement activity included:

- Sending the business case to all statutory consultees with a consultation notice, and publishing it online;
- Sending an internal email to all Police and Fire and Rescue employees;
- A dedicated website, [telljulia.com](http://telljulia.com), containing the local business case, all the consultation materials, Frequently Asked Questions (FAQ), information about the public events being run and contact details for further information;
- An animated information video setting out the options and the business case assessment, together with a video of the PCC setting out her case and the opportunities she saw arising from it;
- Tweets, Facebook posts and YouTube videos for the online audience;
- Public consultation notices / posters advertising public events, which were sent to every police station, fire station, library and council office across the county and to all Parish and Town Councils for local notice boards, and to local post offices and shops;

- Eight public consultation events were held, one in each district and one in York, featuring pop-up banners providing information on the case for change, the options and the business case assessment and a pop-up cinema booth where the public could watch the video. Leaflets were available and OPCC staff were on hand to answer questions;
- Five focus groups with key stakeholders;
- Information leaflets detailing the options and rationale, and providing links to further information;
- Press releases, a TV interview and two radio interviews;
- The PCC attending Overview and Scrutiny meetings for the County, City and District Councils, Executive meetings of the County and City, and meetings with individual Councillors and political parties.

3.10 The consultation used a variety of mechanisms to obtain the views and opinions of a broad range of stakeholders across North Yorkshire and included:

- An open survey for residents and business owners in North Yorkshire;
- A representative survey of residents conducted by Mel Research;
- A survey of employees of the Police and Fire and Rescue Services and key stakeholder groups.

3.11 The survey could be accessed in a number of ways, including:

- Through the website;
- Via the information leaflet, with a freepost return address;
- Via social media posts;
- Via a door-to-door representative survey conducted by Mel Research;
- Via direct email for statutory consultees and service employees.

3.12 The PCC also discussed the consultation with:

- The Fire and Rescue Service through nine visits to stations and HQ;
- The Chief Fire Officer and his senior management team;
- North Yorkshire County Council, City of York Council and the District and Borough Councils;
- The North Yorkshire branches of the Fire Brigades Union and the Fire Officers' Association;
- North Yorkshire MPs.

3.13 Although the Local Business Case did assess the No Change option, it stated on Page 16 that "The Do Nothing model will continue the current pace and scale of change, furthering collaboration on the current ad hoc, tactical basis, but bringing no step-change in delivery. The Government and local stakeholders throughout this process have not considered this to be a viable option and as such this LBC has been prepared on the understanding that a change to the status quo is required".

3.14 We understand from the PCC that the "local stakeholders" included the Chief Fire Officer, the former Chair of the FRA, leaders of the Councils and the wider Strategic Reference Group, who all acknowledged that "we have not got as far as we should have done with the Statement of Intent" and supported change of some type at their meeting on 5<sup>th</sup> April 2017. This statement in the LBC also reflects the results of the preliminary survey in August 2016.



3.15 Consequently the 2017 consultation exercise sought views on only three options, as follows:

- Option 1: A Representation model;
- Option 2: A Governance model;
- Option 3: A Single Employer model.

### Profile of Responses

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

<b>Response type</b>	<b>Number of respondents</b>
1. Online survey	605
2. Residents' survey	1,514
3. Public events	261
4. Staff surveys	207
<b>Total</b>	<b>2,587</b>
Additional representations	
Social media posts on PCC's Facebook page	18
Emails	9
Formal written responses	15
<b>Total additional comments</b>	<b>42</b>

### Summary of Responses

3.17 Overall 71% of respondents were in favour of a transfer of governance (i.e. the Governance or Single Employer model) compared to 29% for the Representation model. This is detailed in the following table:

<b>Option</b>	<b>Overall (2,572)</b>	<b>Online, including public events (850)</b>	<b>Resident Survey (1,514)</b>	<b>Staff Survey (208)</b>
<b>Option 1: Representation</b>	<b>29%</b>	40%	22%	39%
<b>Option 2: Governance</b>	<b>55%</b>	48%	61%	41%
<b>Option 3: Single Employer</b>	<b>15%</b>	12%	17%	20%

Note: Figures are rounded and do not necessarily add up to 100.

3.18 Across the different surveys, the Governance model received the greatest support, particularly among residents (61%).

3.19 With staff, there was a fairly even split across the Representation (39%) and Governance (41%) models. It is interesting that Representation received more support from Police employees, while Governance received more support from Fire and Rescue employees, who are more in line with the overall totals. One reason for this might be more active engagement carried out with Fire and Rescue staff.

Figures are detailed in the following table:

Option	Overall (2,572)	Police employees (107)	Fire and Rescue employees (93)
<b>Option 1: Representation</b>	<b>29%</b>	<b>48%</b>	27%
<b>Option 2: Governance</b>	<b>55%</b>	27%	<b>59%</b>
<b>Option 3: Single Employer</b>	<b>15%</b>	25%	14%

3.20 Respondents were asked also to rate the impact they feel implementing each option will have in North Yorkshire upon the duty of emergency services to collaborate. The results are detailed in the following table. Some respondents selected the "Don't Know" option and are not included in the results below.

Option	Level of Impact	Overall	Online, including public events	Resident Survey	Staff Survey
<b>Option 1: Representation</b>	<b>Positive impact</b>	28%	<b>33%</b>	25%	25%
	<b>No impact</b>	<b>39%</b>	29%	<b>45%</b>	<b>36%</b>
	<b>Negative impact</b>	21%	23%	19%	26%
<b>Option 2: Governance</b>	<b>Positive impact</b>	<b>58%</b>	<b>49%</b>	<b>65%</b>	<b>42%</b>
	<b>No impact</b>	11%	7%	13%	6%
	<b>Negative impact</b>	25%	38%	15%	<b>42%</b>
<b>Option 3: Single Employer</b>	<b>Positive impact</b>	24%	21%	26%	18%
	<b>No impact</b>	19%	10%	26%	5%
	<b>Negative impact</b>	<b>44%</b>	<b>57%</b>	<b>34%</b>	<b>62%</b>

### Analysis of Key Objections

3.21 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.

Our summary analysis of the key objections is included in the following table.

<b>Ref.</b>	<b>Objection</b>	<b>Commentary</b>
1.	There is insufficient evidence in the business case to support the proposed financial savings.	This is addressed in the Overall Financial Position section of our assessment from paragraph 4.1.
2.	The options are biased. There is no Do Nothing option and no option to return to the Police Authority.	On the first point, the lack of a "Do Nothing" option has been discussed in paragraphs 3.13 to 3.15 above. On the second point, a key objective of the Policing and Crime Act is to increase collaboration through new models of governance. There is no intention of returning to governing mechanisms that existed before the introduction of Police and Crime Commissioners.
3.	Control of the Fire and Rescue service should not be in one person's hands. The FRA is more democratic.	This is the crux of the whole debate and is discussed in the Effectiveness section from paragraph 4.32.
4.	This is a power grab and the PCC is seeking a monopoly.	Although some respondents may perceive this to be the case, the legislation make provision for, and is actively encouraging, a single governance model for Police and Fire and Rescue and this type of change does have the support of a majority of residents.
5.	The Governance model would bring a loss of accountability.	This comment is open to interpretation and is discussed further in the Effectiveness section from paragraph 4.32. The PCC is currently held to account by the Police and Crime Panel and the remit of this Panel could be enhanced and extended to include Fire and Rescue.
6.	The Fire and Police Services should remain independent.	This objection has no foundation as the Police and Fire Services will remain independent under the preferred model, Option 2: Governance.
7.	Trust in the Fire and Rescue Service could be impacted.	The preferred model is proposing only a single Governance model. Operational aspects of both Police and Fire and Rescue will remain separate, as at present. The PCC has already made this point during the consultation process, but clearly some concerns remain. The PCC would be advised to re-emphasise this operational independence during implementation of any change of governance or subsequent collaborative activity.

<b>Ref.</b>	<b>Objection</b>	<b>Commentary</b>
8.	The Representation model is preferred as it provides an opportunity to progress gradually and learn. The Governance model cannot be reversed.	<p>The Local Authorities and the FRA have expressed a clear preference for the Representation model. The advantages and disadvantages of this model are discussed in the business case and explored further in the Effectiveness Section from paragraph 4.32. We note also that there is the possibility of some bias, since North Yorkshire County Council provides some back office services to North Yorkshire Fire and Rescue, which come under the remit of the PCC for Police.</p> <p>The second point is not correct. Whilst it may not be easy to reverse the Governance model, it is nonetheless possible.</p>
9.	Should collaborate but this is not necessarily dependent on a change of governance.	The basic tenet of the business case is to demonstrate that a change of governance increases the scale and pace of change. This is discussed further in the Effectiveness section from paragraph 4.32.
10.	The Governance model is not tried and tested.	The Governance model has been operating in Police since the introduction of PCCs in 2012. Whilst only one County, Essex, has decided to implement a single governance model for Police and Fire and Rescue as a result of the Policing and Crime Act 2017, and is in the early stages of implementation. The Mayor of Manchester, Andy Burnham, as PCC governs both Police and Fire and Rescue Services. In addition, a single leadership and employer model has been operating for a number of years in some local authorities which share chief executives, management teams and some / all of their services. Examples include Adur and Worthing Councils in West Sussex, Redditch and Bromsgrove Councils in Worcestershire. There are also examples of a single leadership model across local government and health.
11.	The Police and Crime Panel has neither the capacity nor the capability to take on an expanded scrutiny role.	The business case proposes strengthening the OPCC to support the Police, Fire and Crime Panel and the PCC has expressed her willingness to provide support and lobby for additional resources, should a case be made.
12.	The PCC should focus on improving the Police service.	The business case and the PCC maintain that this is not a case of either the Police or Fire, but that both can benefit from a single governance model.

- 3.22 We note also that the PCC has responded to objections both in her letter to the Home Secretary included in the Consultation Report and in her letter dated 7<sup>th</sup> December in response to recent representations from the Leader of North Yorkshire County Council and the Vice Chair of the Police and Crime Panel.
- 3.23 In addition to the above we also received a separate letter, addressed to CIPFA, from the Leader of North Yorkshire County Council. This was dated 5 January 2018 and it expressed concerns about the LBC and requested input into the Independent Assessment. Specifically, the letter requested that we should hear the views of the following elected members:
- The Chair of the North Yorkshire Fire & Rescue Authority (NYFRA);
  - The Leader of North Yorkshire County Council (NYCC);
  - The Leader of York City Council (YCC).
- 3.24 We interviewed the Chair of the NYFRA, the Leader of NYCC and the Leader of YCC between 17 and 22 January 2018.
- The concerns that they expressed in the letter, and in the interviews, may be summarised as follows:
- The Members expressed concern over the consultation process particularly with regard to the information provided by the PCC and the consultation period being only ten weeks during the Summer period. They felt that the process had been rushed. They also felt that there was a small number of responses;
  - Members also expressed the view that their proposal of a two-step approach had been ignored. They had suggested moving to a Representation model first and then, potentially, to the Governance model at a later stage;
  - They felt that there has been good collaboration between the Police and Fire Services through the Collaboration Committee and that this work had been ignored by the PCC;
  - Members also felt that councillors had a better understanding of local communities and could exercise a stronger scrutiny role.

### **Conclusion on Consultation**

- 3.25 In our view the PCC and her officers appear to have conducted a wide-ranging consultation process which included public events held on market days and allowed adequate time for responses, even taking account of the holiday season. By securing agreement at the Strategic Reference Group that Do Nothing was not an option, the consultation process was able to deliver a clear overall mandate for the Governance model. The Local Authorities, FRA and Police and Crime Panel prefer a more gradual approach via the Representation model and continue to press for this, but this is a political issue that is outside our remit.

## 4. Assessment

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

### Overall financial position

Our review of the financial position for each option is based on the numbers set out in the LBC. We have also reviewed the detailed Appendix 8 to the LBC which sets out the assumptions and calculations underlying the figures in the LBC and we have discussed the basis of the calculations with officers from the Office of the Police and Crime Commissioner (OPCC). Section 4 of the LBC sets out the Economic Case for each of the options including the Do Nothing model. Appendix 8 to the LBC sets out the detailed Financial Modelling Assumptions for each model except Do Nothing. Section 4 of the LBC presents a summary table of the proposed costs and savings for each of the governance options for the 10 year period 2017/18 to 2026/27 and we have summarised the figures below:

<b>OPTION</b>	<b>TOTAL NET SAVINGS £M</b>	<b>NET PRESENT VALUE £M</b>
Do Nothing (baseline)	0.2	0.1
Representation model	1.6	1.3
Governance model	8.0	6.6
Single employer model	9.2	7.5

4.25 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 22 of the LBC sets out the net expenditure figures for 2016/17 and the figures are £140.2m for Police and £29.2m for Fire.

4.26 Section 3 of the LBC sets out four critical success factors (CSFs) against which each of the four models is to be assessed. The economic case goes on to assess the models against these qualitative CSFs to arrive at a conclusion on the preferred model. The CSFs are as follows:

- Accelerates scale, pace and effectiveness of collaboration;
- Brings benefits in terms of transparency and accountability;
- Is deliverable;
- Mitigates strategic risks.

4.27 Objectively the economic case assesses the costs and benefits of each model in terms of their "direct" and "indirect" impact on governance. "Direct" costs and benefits are defined as those directly attributable to the governance change while "indirect" costs and benefits are those which can be indirectly attributed to the governance change such as "a faster pace in delivery collaboration".

4.28 Page 97 of the LBC states that "The Governance model will bring a material change, with greater likelihood of joint commissioning strategies and greater flexibility in resourcing, bringing with it greater likelihood of achieving financial and non-financial benefits. Although this brings with it some risk, this is not believed to be as great as under the Single Employer model" which appears to be supported by the figures shown above. The LBC goes on to state that "Based on the assessment of the options against the critical success factors and the four tests the preferred option is therefore the Governance model". 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.

- 4.29 For each of the four models the direct savings and costs are grouped under the following headings:
- One-off implementation costs associated with governance change e.g. project costs including project team and professional advice e.g. consultation advice;
  - Recurrent implementation costs associated with governance change e.g. additional governance resources required;
  - Direct governance benefit related to the FRA no longer being required in some options and some associated governance costs no longer being required.
- 4.30 Page 64 of the LBC also states that "Assumptions have been made in the estimation of 'indirect' financial benefits in the LBC, drawing upon the research on the impact of governance on collaboration described in the strategic case, and also the specific opportunities in North Yorkshire."
- 4.31 In terms of governance there is no direct saving and no direct cost of implementation under the Do Nothing model. Under the Representation model there is no saving but there are direct costs associated with implementation. These amount to £9K in 2017/18 followed by an annual cost of £17K to 2026/27. Page 124 of the LBC shows that the figure of £17K is based on the salary for 0.5 FTE for a Policy and Scrutiny Officer. We were informed that salary assumptions are based on OPCC Terms and Conditions, but we have not been able to check the salary scales in the time available. Savings arise under the Governance and Single Employer models due to there being no need for FRA Member direct costs and training and no further need for committee and legal services to the FRA. Additional costs of governance will arise due to increases in bank charges, external audit fees and the finance SLA. These amount to a net figure of £100K p.a. under both models starting in 2018/19 for the Governance model and in 2019/20 for the Single Employer model. 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 for the Governance model and in 2019/20 for the Single Employer model. These costs amount to £64K p.a. and are based on 1 FTE Policy and Scrutiny Officer and £30K p.a. for additional governance support costs in the OPCC.
- 4.32 There are also one-off costs of implementation associated with both these models with the figure being higher for the Single Employer model. The one-off costs are £121K for the Governance model and £389K for the Single Employer model. We have reviewed the assumptions in the detailed workings and, in our view, the assumptions are reasonable. On this basis a change to the Governance model produces savings of £204K, in cash terms over the ten year period from 2017/18 to 2026/27. The Single Employer model leads to additional costs of £101K due to the higher one-off implementation costs. These figures have been extracted from Appendix 8 to the LBC, specifically on Pages 125 to 128 of the detailed Financial Modelling Assumptions. The position for each model is summarised in the following table:

<b>OPTION</b>	<b>TOTAL NET SAVINGS £K 2017/18 to 2026/27</b>
Do Nothing (baseline)	0
Representation model	(162)
Governance model	204
Single employer model	(101)

- 4.33 The second element of cost reduction relates to savings from shared estates. The tables in Section 4 of the LBC show the figures for revenue cost savings including one-off capital receipts from the sale of surplus properties and capital costs. As the capital receipts and costs are the same in all three models considered we have retained them within the figures shown below as per the LBC.
- 4.34 We have seen a list of 8 properties that would be potentially surplus to requirements. The modelling assumptions set out the likely capital receipts, which amount to £1.5m across the 8 sites, together with the accompanying capital cost of £2.0m. These figures are used in the Representation, Governance and Single Employer models. Appendix 8 does not contain any detailed workings for estates under the Do Nothing model.
- 4.35 In terms of revenue savings these are predicated on savings of 25% to 30% of current running costs giving savings of £953K for the Representation model, £1,107K for the Governance and Single Employer models. Each of the three models also includes a benefit of £780K based on the Fire Service moving into the Police HQ building. All these figures are for the ten year period covered by the LBC. The position for each model is summarised in the following table:

<b>OPTION</b>	<b>TOTAL NET SAVINGS £K 2017/18 to 2026/27</b>
Do Nothing (baseline)	180
Representation model	1,170
Governance model	1,330
Single employer model	1,040

- 4.36 The figure for the Single Employer model is lower as the programme of rationalisation is assumed to start one year later in 2019/20. We have been unable to substantiate the figure for the Do Nothing model as this is not included in the detailed assumptions in Appendix 8.
- 4.37 The third area of cost saving covered in the LBC relates to Shared Senior Management Posts. There is no saving attributed to the Do Nothing and Representation models. With regard to the latter Appendix 8 states that "While this would be possible within the Representation model it would not be possible to make any savings as the Fire Authority structure and responsibilities would require the same level of resource as is currently in place". Under the Governance model the savings here have been estimated as £250K in a full year which would be realised from 2020/21 onwards. Smaller savings of £25K and £50K would be achieved in 2017/18 and 2018/19 respectively. Under the Single Employer model, the savings rise to £390K in a full year with a smaller saving of £50K in 2019/20.
- 4.38 The assumptions on which these figures are based are as follows:
- The possibility of having one Treasurer and one Monitoring Officer across both organisations;
  - The possibility of having a Principal Fire Officer Structure that has two Principal Fire Officers instead of three as some governance work would be absorbed by the OPCC;
  - The additional saving of £140k per annum under the Single Employer model reflects the removal of one of the Assistant Chief Fire Officer roles. The assumption is that by moving to that model, with one Chief Officer for both Police and Fire, then only one chief fire officer would be required to run that service, given the change in reporting lines etc.



4.39 The position for each model over the 10 year period is summarised in the following table:

<b>OPTION</b>	<b>TOTAL NET SAVINGS £K 2017/18 to 2026/27</b>
Do Nothing (baseline)	0
Representation model	0
Governance model	1,825
Single employer model	2,780

4.40 The fourth area of savings arises from Shared Enabled Support Services. The savings here are based on a percentage of the total combined "addressable spend" for support services in the North Yorkshire Fire and Rescue Service (NYFRS) and North Yorkshire Police (NYP). The figures for addressable spend are based on gross service expenditure of approximately £7m for NYFRS and approximately £15m for NYP. The gross figure is then adjusted to cover those areas where there are opportunities for joint roles or joint purchasing. This includes staffing costs and supplies and services costs. The baseline figures for addressable spend are taken from Appendix 8 and are shown in the table below:

<b>AREA</b>	<b>NYFRS £</b>	<b>NYP £</b>
Finance and Administration	1,135,457	1,168,083
Technical Services	2,268,362	9,305,640
Total	13,877,542	

4.41 The percentages that have been applied are as follows:

- Do Nothing model – 0% p.a. giving a total annual saving of nil;
- Representation model – 0.5% p.a. giving a total annual saving of £70K commencing in 2018/19;
- Governance model – 4% p.a. giving a total annual saving of £350K in 2018/19, £450K in 2019/20 and £550K in each year thereafter;
- Single Employer model – 5% p.a. giving a total annual saving of £690K commencing in 2019/20.

4.42 The above figures have been extracted from Section 4 of the LBC and they produce the following savings for shared services, in cash terms, over the ten years of the model:

<b>OPTION</b>	<b>TOTAL NET SAVINGS £K 2017/18 to 2026/27</b>
Do Nothing (baseline)	0
Representation model	630
Governance model	4,650
Single employer model	5,520

4.43 We have been able to review the detailed calculations of the value of addressable spend in the supporting appendix and we are of the view that the calculations are reasonable. With regard to the percentages that have been applied to the figure for addressable spend we have seen various documents that suggest that the proposed savings can be achieved through the rationalisation of management posts and through closer working across support services. Apart from the Do Nothing option the LBC contains the following statements in support of the percentages applied:

- Representation (Table 19 on P71) - It is assumed that marginal benefits might be achieved through shared services, equivalent to several joint posts or purchasing arrangements to 0.5% of in-scope expenditure, or £70k per annum. This would be an extension of current arrangements e.g. a shared transport manager has already been in place since last year;
- Governance (Table 22 on P80) - It is assumed that benefits might be achieved through shared services, equivalent to a number of joint posts or purchasing arrangements to 4% of in-scope expenditure, or £550k per annum. This is based on the assumption that a number of shared posts could be achieved across services, subject to consultation, based on analysis of existing structures;
- Single Employer (Table 25 on P89) - It is assumed that benefits might be achieved through shared services, equivalent to a number of joint posts or purchasing arrangements to 5% of in-scope expenditure, or £690k per annum. This is based on the assumption that a number of shared posts could be achieved across services, subject to consultation, based on analysis of existing structures.

4.44 Based on these statements in the LBC and the supporting documentation that we have seen we are of the view that the calculations for the savings attributable to shared enabled support services are not unreasonable.

### **Conclusion on overall financial position**

4.45 We have reviewed the detailed Financial Modelling Assumptions in Appendix 8 to the LBC and we have examined the calculations in the supporting spreadsheets. Based on the information provided and our experience of reorganisation elsewhere we are of the view that the cost savings shown in the LBC for Direct Governance Benefits are reasonable. We are able to come to the same conclusion for the savings attributable to the Shared Senior Management posts. Whilst the figures for Shared Estates are based on specific properties the savings are heavily caveated within the LBC and must be open to question and hence we have come to the view that the figures are not unreasonable. We have also seen detailed spread sheets that support the calculation of the total addressable spend for support services for both NYP and for NYFRS. The percentages that have then been applied to this total figure are based on the assumptions stated in the LBC and which we have summarised above. We have also reviewed the detailed supporting work that has been carried out and we are of the view that the calculations for the savings attributable to shared enabled support services are not unreasonable.

### **Economy**

4.46 Most of the savings analysed above arise from efficiency savings due to reductions in the costs of the FRA, reductions in employee numbers and shared services or through the rationalisation of estates. Some savings on bought in goods and services are included within the percentages applied to the addressable spend on support services. However, this has not been analysed separately in the LBC and any proposed savings would be subject to additional business cases in the future. 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.

4.47 In response the officers stated that there have been savings of £60K p.a. from closer working relationships on fleet and logistics. They also pointed out that the Police Force has been working with the FRS on joint procurement for the last 12 months but that more work on this was needed. They have also been working on joint specifications and valuations which was cited as one good example of a joint contract. There are also examples of joint working in relation to estates. Officers felt that their approach to the LBC had been cautious and that savings from bought in goods and services had not been quantified at this stage as more detailed business cases would be required.

### **Conclusion on economy**

4.48 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 other than that included in the overall percentage applied to the total addressable spend on support services.

### **Efficiency**

4.49 As we noted above nearly all of the savings in the LBC arise from efficiency savings. Under the Governance model these amount to around £8.0m on a cash basis or £6.6m at NPV over the ten years from 2017/18 to 2026/27. However, the cash figure includes capital costs and benefits in the Estates figures. These are £2.0m for capital costs and £1.5m for capital receipts. We have seen the list of 8 buildings that underpin the estates savings together with the saving arising from sharing one HQ building. However, the LBC recognises that the projected savings need further work. Page 123 of the LBC sets out the assumptions supporting the estates calculation and, amongst others, they include the following statements:

- "No attempt has been made at this stage to assess the operational benefits or viability of the proposals;
- No attempt has been made to assess whether the capital funding is available for the proposals, and borrowing costs have not been included;
- The team has made an assumption that the projects are technically viable, but no work has been done to verify this".

4.50 Whilst the figures for Shared Estates are based on specific properties the savings are heavily caveated within the LBC and must be open to question. However, based on our experience elsewhere and the modest nature of the proposals we have come to the view that the figures are not unreasonable.

4.51 With regard to the savings arising from Direct Governance and Shared Management Posts, we are of the view that these are reasonable.

4.52 On the savings attributable to shared enabled support services we have been able to review the detailed calculations of the value of addressable spend in the supporting appendix and we are of the view that the calculations are reasonable. With regard to the percentages that have been applied to the figure for addressable spend we have seen various documents that suggest that the proposed savings can be achieved through the rationalisation of management posts and through closer working across support services. Based on the statements in the LBC and the supporting documentation that we have seen we are of the view that the calculations for the savings attributable to shared enabled support services are not unreasonable.

### **Conclusion on efficiency**

4.53 As with all business cases the figures are subject to challenge and a different set of results could be obtained by changing the assumptions. The LBC includes four elements for efficiency savings and we have concluded on each one as follows:

- Direct Governance – we have seen specific evidence to support the proposed savings and we are of the view that these figures are reasonable;
- Shared Estates – in the light of the caveats set out above we have come to the view that the figures are not unreasonable;
- Shared Senior Management Posts – we have seen specific evidence to support the proposed savings and we are of the view that these figures are reasonable;
- Shared Enabled Support Services – the LBC states that the benefits might be achieved through shared services, equivalent to a number of joint posts or purchasing arrangements leading to a 4% saving of in-scope expenditure. On that basis we are of the view that the calculations for the savings attributable to shared enabled support services are not unreasonable.

4.31 Taking the four elements together, on balance, our overall conclusion is that the figures for efficiency savings included in the LBC are not unreasonable.

### **Effectiveness**

4.32 This section assesses the extent to which the North Yorkshire LBC satisfies the Effectiveness element of the statutory test, as defined in Section 1 of this document.

4.33 The stated purpose of this Local Business Case (LBC) on Pages 11 and 16 is to “assess which governance option would be most likely to deliver the necessary pace and scale of collaboration between the two services to improve their effectiveness, efficiency and economy to the benefit of public safety in North Yorkshire, and the greatest degree of transparency and accountability. It is not to provide a detailed case for progressing each opportunity. Each would require a further assessment to detail the financial and non-financial benefits and costs, and set out their implementation”.

4.34 Our assessment considers both

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

4.35 The LBC proposes a move to the Governance Model as its preferred option and references a number of sources and arguments in support of moving to this model, as detailed below.

- 4.36 The Government has made its intentions clear both leading up to the legislation and in the Policing and Crime Act 2017. One of the foundations of the LBC is a quote on Page 33 from the then Policing and Fire Minister Brandon Lewis in a speech in November 2016 to the Association of PCCs (APCC) and the National Police Chiefs Council (NPCC) where he reinforced the case for change. He said: "while collaboration between the emergency services is showing an encouraging direction of travel, it is not consistent across the country and we need to be doing more to ensure collaboration can go further and faster and to not get trapped into saying 'we don't do that around here'.... By overseeing both police and fire services, I am clear that PCCs can drive the pace of reform, maximise the benefits of collaboration and ensure best practice is shared... I expect the pace and ambition of collaboration to increase and for it to become the norm."
- 4.37 The LBC reinforces its preferred option with a quote from the National Audit Office (NAO) on Page 39. In reviewing the PCC governance model in Police in 2014 they found that "A single person may be able to make decisions faster than a committee and could be more transparent about the reasons for those decisions". In addition to speed and transparency of decision-making, the NAO outlined further potential benefits around the "scope to innovate, to respond better to local priorities and achieve value for money". They also noted the significant increase in public engagement which police and crime commissioners have delivered, compared with police authorities, stating that "over 7,000 pieces of correspondence are received by PCCs per month, and there are 85,000 website hits".
- 4.38 Similarly, as also referenced on Page 39, in 'Tone from the Top' in 2015, the Committee on Standards in Public Life reported that "PCCs represent a deliberate and substantial strengthening of... policing accountability. The model is one of replacing bureaucratic accountability with democratic accountability."
- 4.39 As referenced on Page 36 of the LBC, the government response to the Home Affairs Select Committee (HASC) also noted in 2014 in relation to governance that: "As the Committee itself has recognised, PCCs have provided greater clarity of leadership for policing within their areas and are increasingly recognised by the public as accountable for the strategic direction of their police forces...In driving collaboration, in pursuing Commissioner-led campaigns, and through their increasingly prominent multi-agency leadership role, it is clear that the PCC model is now making a difference in many areas in England and Wales".
- 4.40 A Police Foundation Report in 2016 echoed these views, stating that PCCs had "unlocked innovation in policing policy" and that having a "full time public official focused on public safety" had led to new ways of doing things.
- 4.41 The report highlighted five ways in which PCCs in general have unlocked innovation, as follows:
- Increased collaboration – through greater partnership working with other agencies, criminal justice diversion and joint commissioning of services;
  - Use of soft power – through being an elective official with a public voice to influence leaders of partner agencies;
  - Leveraging the evidence base – through their remit to try new things and ability to commission robust evaluations of new initiatives;
  - Increased public engagement – through more open dialogue with the public and catalysing broader debate;
  - Use of technology – through increasing visibility through more agile and mobile working, digital evidence capture and digital public contact.

- 4.42 Page 59 of the LBC provides examples of ways in which the PCC in North Yorkshire specifically has brought about an accelerated pace of change. "Although it is impossible to say whether these would have taken place under the former Police Authority, it is believed that the changes below represent a step-change, which would have been unlikely under previous models given the experience of their ways of operating.
- Stage 2 staffing arrangements for enabled services have led to changes to services including introducing professional staff for specific areas of expertise (rather than using officer posts for support services), joint posts across forces and investment in technology;
  - The introduction of a commissioning team to invest in victim services and mental health services (introduction of Section 136 suites, leading to a reduction in vulnerable people with mental health considerations being detained in custody);
  - New collaborative partnerships with other police forces;
  - Local community safety consolidation of strategic partnering arrangements so that there was a move from eight partnerships to two, streamlining partner involvement;
  - Initiating a rural crime network and taskforce.
- 4.43 The LBC goes on to contrast PCCs with Fire and Rescue Authorities (FRAs). The review of Fire and Rescue Services by Sir Ken Knight in 2012, referenced on Page 34 of the LBC, did not make any firm conclusions on governance but observed that elected PCCs were introduced because police authorities were not seen as providing enough scrutiny and accountability to the public and that "a similar model for fire could clarify accountability arrangements and ensure more direct visibility to the electorate." He added that if PCCs were to take on the role, the benefits would need to be set out clearly both in financial terms and in increased accountability and scrutiny for the public.
- 4.44 In his independent review of conditions of service for Fire and Rescue staff for the Home Office in 2016, Adrian Thomas commented on the complexity of decision making in Fire and Rescue Authorities (Page 34 of the LBC). He spoke of the 'formality and inflexibility' which fire authorities, together with their sub-committees, could introduce (46 Fire and Rescue services have approximately 800 elected councillors sitting on fire authorities or associated committees), which he believed "could cause further resistance to any future change". Chief Fire Officers interviewed by him spoke of "the burden of managing this weighty political oversight".
- 4.45 The increased transparency of PCCs as compared with an FRA is further cited on Page 58 of the LBC and a table comparing visibility and engagement of the two governance models is included on Pages 57 and 58. It assesses the following areas and concludes that the PCC model is more visible and engaging:
- Accessibility and frequency of meetings and public attendance;
  - Correspondence received;
  - Handling of complaints;
  - Public participation in consultation;
  - Engagement and outreach, including hard to reach groups;
  - Openness of decision making.
- 4.46 These arguments tend to support the view expressed in the LBC that a single governance model for Police and Fire and Rescue in the form of a Police, Fire and Crime Commissioner (PFCC) would increase the speed of decision making and bring greater accountability. In addition, some key stakeholders felt that one controlling mind would be more effective and provide a catalyst and enabler for change.

- 4.47 Turning to the argument of enabling and facilitating increased operational effectiveness, the two services have a long-standing commitment to collaborate and agreed a Statement of Intent in 2013 confirming their commitment to collaboration. The vision, agreed at the Fire and Police Steering Group on 8th July 2013, was as follows:
- 4.48 "The aim of this programme of work is to deliver by 2020 a Police Service and a Fire and Rescue Service for North Yorkshire and the City of York which retain their respective identities, legislative duties, powers and responsibilities, and governance arrangements, but which share an integrated suite of business support and community safety prevention services where it makes sound operational and business sense to do so. The communities of North Yorkshire and York will continue to enjoy discreet Police and Fire and Rescue Services but will see two of their blue light services functioning as a virtual combined service in terms of business support and prevention."
- 4.49 The LBC quotes on Pages 22 and 28 a number of examples of collaboration that are already in operation. These include:
- Co-location of the two Transport and Logistics functions in Thirsk and a shared post;
  - Co-location of Fire and Rescue and Police at Bedale since 2003;
  - An Integrated Community Safety Hub in Scarborough where Community Safety Officers from the Fire Service, Police and other agencies work out of the centrally located town hall;
  - Relocation of police driver training to the Fire training centre in Easingwold;
  - Joint procurement for some services.
- 4.50 However, the co-located workshop provoked differing views, with the Fire and Rescue Service seeing sharing of a building, although currently split into two sections, as a stepping stone towards full integration, whilst the OPCC sees it as a cultural issue and mind set of co-operation rather than collaboration. They also quoted the example of the Fire and Rescue starting the process of procuring a new IT system in isolation of the Regional Procurement Network.
- 4.51 Governance is seen by many as a critical enabler of change and collaboration. The LBC states on Page 35 that research into the effectiveness of Fire and Police across the country has identified a number of governance barriers to achieving sustainable collaboration and concludes that "changes in governance may therefore be necessary to drive deeper and more effective collaboration in North Yorkshire."
- 4.52 Research as part of the Emergency Services Collaboration Working Group indicates that complex governance involving multiple organisations is likely to make it harder to deliver significant collaboration initiatives quickly and effectively. It states that there are examples nationally where savings have been made as a result of collaboration where a "robust governance architecture" has been a strong enabler of collaboration but that "large-scale collaborations and the related investment and change programmes are usually complex and often challenging".
- 4.53 The LBC also quotes some international academic research in support of its arguments. Page 36 quotes a study of consolidations in the USA by Wilson and Weiss in 2009 that states that "the control through a single governance structure was highlighted by many of those involved as a key driver in achieving coherent consolidation".

- 4.54 It also mentions Gerald T. Gabris et al who explored various models of service consolidation in local government and found that the speed of decision-making, transparency, visibility, and accountability of an elected official has brought a dividend to the depth and breadth of collaboration, with improvements in public service and public confidence.
- 4.55 The LBC goes on to explain that, in the context of changing demand for both Police and Fire and Rescue and a move from reactive to preventative services, as detailed on Page 49, the PCC has a vision for a strategic transformation of police and fire collaboration that can deliver genuine change and address the challenges and opportunities described above. At its heart that vision has an objective to deliver joined-up preventative services for North Yorkshire and ensure that the frontline is protected by improving the efficient and effective use of emergency services assets, estates and support services.
- 4.56 This vision is based on the fact that in the increasingly difficult context of delivering public services, to provide the best possible service to the people of North Yorkshire, there must be a focus on outcomes for the public rather than on organisations. An organisational perspective sees organisational leaders putting their service before the need of the public, whereas an outcomes perspective would see increasingly greater overlap of service delivery through greater collaboration to improve community resilience and public safety.
- 4.57 The LBC concludes on Page 72 that studies have consistently shown that delivery of collaboration is inherently more challenging in a multi-governance model. It states that the PCC would not be able to exert significant formal influence in a Representation model, but would require the Governance model to be able to make a real impact.

### **Conclusion on Effectiveness**

- 4.58 Proving a direct link between the recommended Governance Model and effectiveness is a subjective process. We have seen no evidence that a single governance model would have a negative impact on collaborative working and the LBC has some persuasive quotations that indicate that it is more likely to have a positive impact. Indeed some of the stakeholders we interviewed expressed a degree of confidence that it could be seen as a catalyst or enabler that could increase the pace of collaboration and deliver the anticipated increase in effectiveness. On balance our view is that the proposed change in governance has the potential to have a positive impact on effectiveness.

### **Public Safety**

- 4.59 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 statements in the relevant sections of the LBC and our interviews to form a view.
- 4.60 Section 4 of the LBC sets out the Economic Case for change and it deals briefly with public safety for each of the four options under consideration. The foot notes on Pages 69, 76, 86 and 95 of the LBC all state that:



**“It should be noted that this LBC does not seek to make a statement on public safety in relation to the degree to which collaboration or governance will directly impact on it. Therefore we will not make an assessment against CSF1 (Accelerates scale, pace and effectiveness of collaboration) and CSF2 (Brings benefits in terms of transparency and accountability). We will make an assessment of the degree to which deliverability and risk could impact on public safety on each option”.**

4.61 The comments in the LBC are as follows:

- Do Nothing model – This model poses no immediate risk to public safety as it is deliverable and mitigates the strategic risks. However, as this model is unlikely to improve collaboration or bring benefit to the effectiveness or efficiency of services it could possibly harm public safety in the long term;
- Representation model – As this model is both deliverable and shown to be able to mitigate strategic risks, it does not pose a risk to public safety. However, as it is unlikely to improve the scale or pace of collaboration, and therefore not significantly improve the effectiveness or efficiency of services, it is unlikely to bring great improvement to public safety either;
- Governance model – This model is shown to be able to mitigate strategic risks. While there are some challenges to delivery it is demonstrated that these would be eminently manageable and that they are low risk. As such this model does not pose any risk to public safety. Furthermore, given that it is likely to significantly improve the effectiveness and efficiency of services it is likely to considerably improve public safety in the future;
- Single Employer model - This model would significantly improve the effectiveness and efficiency of services and therefore is likely to improve public safety in the long term. However, there are considerable risks in implementation affecting the deliverability of the option, and there are concerns about its ability to mitigate the strategic risks. As such there is a risk that this model would harm public safety in the short to medium term.

The comments above show that the favoured model in terms of public safety is the Governance model.

4.62 In addition to our review of the LBC we also discussed the issue of public safety with officers from the OPCC, the Police Force, the Fire and Rescue Service and from the two tier 1 local authorities. We also consulted elected members from NYFRA, NYCC and YCC. The views expressed are summarised below:

- The LBC does not say very much on public safety. Front line safety could be delivered through the Representation model and no major concerns were raised;
- Public safety could be an issue but this could be mitigated by joint working between PCSOs and firefighters;
- The proposed change in governance could adversely affect the joint working between Fire and the NHS. Good collaboration has been built up between the Fire Service and CCGs and trusts;
- There could be a risk to public safety due to the diversion of resources to the transfer of governance. The risk is only worth taking if the rewards are high enough;
- There is joint working already at the tactical level to improve public safety. Examples include the Community Safety Partnership, which is a multi-agency approach to reduce the demand for services, and emergency entry to buildings where the Fire Service is better equipped for the task than the police. Joined up governance will give a more straight forward, smoother route to sharing;
- Existing collaboration has been tactical and not strategic;

- North Yorkshire is a very large and predominantly rural county which makes it difficult to have a presence in the more remote communities. Bringing the two organisations together will make it easier to have a uniformed presence in more places;
- The change in governance could pose a threat to local authority and health collaboration and hence have an adverse effect on public safety;
- Public safety will be improved by freeing the Chief Constable and Chief Fire Officer of the responsibility and distraction of managing enabling services.

4.63 A 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. In that sense any risk to public safety should be minimised as day to day operations will continue as before the change.

### **Conclusion on public safety**

4.64 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 there appears to be no increased risk to public safety due to the proposed change in governance and there may be benefits in the future.

## 5. Our Overall Assessment

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

- Economy, efficiency and effectiveness;
- Public Safety.

5.2 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 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. Savings due to economy have been included within the overall percentage applied to the total addressable spend on support services. On that basis we are unable to reach an objective conclusion on whether the proposal will meet the specific criterion of increased economy. However, 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 other than that included in the overall percentage applied to the total addressable spend on support services.
- **Efficiency** - As we noted above nearly all of the savings in the LBC arise from efficiency savings. Under the Governance model these amount to around £8.0m on a cash basis or £6.6m at NPV over the ten years from 2017/18 to 2026/27. However, the cash figure includes capital costs and benefits in the Estates figures. These are £2.0m for capital costs and £1.5m for capital receipts. 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 i.e. those savings referred to as Direct Governance Benefit in the LBC. The detailed notes in Appendix 8 to the LBC provide further information on the savings and additional costs for the Governance Model:
  - Total governance benefit – shows savings of £99K rounded to £100K on P85 of the LBC;
  - Ongoing costs for a Policy and Scrutiny Officer and additional costs in the OPCC – produces additional costs of £64K p.a.;
  - One-off costs for implementation – these amount to £121K.

This leads to a net cost reduction of £36K p.a. from 2019/20 or a total of £204K, net of implementation costs, over the 10 year period of the LBC.

Overall, we can conclude that the figures included in the LBC are not unreasonable 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** – Proving a direct link between the governance model and effectiveness is a subjective process. We have seen no evidence that a single governance model would have a negative impact on collaborative working and the LBC has some persuasive quotations that indicate that it is more likely to have a positive impact. Indeed some of the stakeholders we interviewed expressed a degree of confidence that it could be seen as a catalyst or enabler that could increase the pace of collaboration and deliver the anticipated increase in effectiveness. On balance our view is that the proposed change in governance has the potential to have a positive impact on effectiveness.
- 5.3 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. 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.
- 5.4 With regard to **Public Safety** the LBC concludes that the Governance model "... does not pose any risk to public safety. Furthermore, given that it is likely to significantly improve the effectiveness and efficiency of services it is likely to considerably improve public safety in the future "This is in contrast to the Single Employer model where the LBC states that "...there is a risk that this model would harm public safety in the short to medium term."
- 5.5 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:
- The LBC does not say very much on public safety. Front line safety could be delivered through the Representation model and no major concerns were raised;
  - Public safety could be an issue but this could be mitigated by joint working between PCSOs and firefighters;
  - There could be a risk to public safety due to the diversion of resources to the transfer of governance. The risk is only worth taking if the rewards are high enough;
  - There is joint working already at the tactical level to improve public safety. Joined up governance will give a more straight forward, smoother route to sharing;
  - The change in governance could pose a threat to local authority and health collaboration and hence have an adverse effect on public safety;
  - Public safety will be improved by freeing the Chief Constable and Chief Fire Officer of the responsibility and distraction of managing enabling services.
- 5.6 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 Minister of State for Policing and the Fire Service



Nick Hurd MP  
Minister of State for Policing and  
the Fire Service

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

17th November 2017

Dear John,

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

On 18 October I received a proposal from North Yorkshire's Police & Crime Commissioner (PCC) to take on governance of North Yorkshire Fire and Rescue Service, and on behalf of the Home Secretary, 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 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"). 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

<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 business case. 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, 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 appropriate.

For the avoidance of doubt, the independent assessment is not a substitute for the Secretary of State's decision making process. She 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 the North Yorkshire PCC's proposal to transfer governance of North Yorkshire Fire and Rescue Service from North Yorkshire Fire and Rescue Authority to the PCC in its entirety, and to provide a conclusion on whether you consider that the relevant statutory tests, in this case economy, efficiency and effectiveness, have been met and 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 that in particular, you provide a judgment on the evidence to support the potential financial savings achievable as a result of a move to the governance model.

In order to form a view against the statutory tests, you may wish to engage with the PCC for North Yorkshire, North Yorkshire Fire and Rescue Authority, North Yorkshire County Council and City of York Council. Please have regard to the assessment requirements as set out in Annex A.

### **Timeframe**

It is anticipated that this assessment will take up to three weeks following 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.

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

### **Subject matter expertise**

The following provides a suggested list of experts who you may 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 intended to be 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, any 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 no later than 24 November whether you are able to undertake the independent assessment of the North Yorkshire PCC's proposal. Should there be any conflict of interest, please make the Home Office aware prior to formally accepting.

I am copying this letter to the Chair of the North Yorkshire FRA (Councillor Andrew Backhouse), the leader of North Yorkshire County Council (Councillor Carl Les), the leader of City of York Council (Councillor David Carr) and the North Yorkshire PCC (PCC Julia Mulligan).

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 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.	Report-of-Early-Indication-Survey-on-Fire-and-Police-Service-Collaboration	The Buzz / OPCC	08/2016
2.	North Yorkshire LBC – Working Together	PA Consulting / OPCC	18/10/2017
3.	Appendix 8.6 – Public Consultation Report	Mel Research	10/2017
4.	Working Better Together – Public Consultation Report	Mel Research	10/2017
5.	Letter to Amber Rudd summarising Business Case	PCC	18/10/2017
6.	Provisional REVENUE ESTIMATES CAPITAL PROGRAMME AND RECEIPTS FRS	Ian Young S151 Officer FRA	01/12/2017
7.	16-17 NYCC AAL - FINAL	Mazars LLP	Not recorded
8.	16-17 NYPCP AAL - FINAL	Mazars LLP	Not recorded
9.	20171130 Strategic Risk Register	OPCC	30/11/2017
10.	Annual-Internal-Audit-Report-2016-2017-May 2017	RSM	05/2017
11.	Corporate Risk Register	OPCC	Not recorded
12.	DN 2017-18 Budget and MTFP	Michael Porter OPCC S151 Officer	28/02/2017
13.	DN 2017-18 Minimum Revenue Provision Strategy	Michael Porter OPCC S151 Officer	28/02/2017
14.	DN 2017-18 Prudential Indicators and Treasury Management	Michael Porter OPCC S151 Officer	28/02/2017
15.	Governance – Senior Leadership Day June 2017	OPCC	06/2017
16.	Robustness of Estimates and Adequacy of Financial Reserves	Michael Porter OPCC S151 Officer	28/02/2017
17.	22.11 NYCC Correspondence	Council Carl Les, Leader	22/11/2017
18.	29.11 NYPCP Correspondence	Peter Williamson, Vice Chair	24/11/2017
19.	2017-12-07 – Home Secretary – Response to letters from NYCC and NYPCP	PCC	07/12/2017
20.	Letter from the Leader of North Yorkshire County Council addressed to CIPFA	Leader of NYCC	05/01/2018

## 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>
Ian Floyd, also representing Mary Weastall, CEO	Section 151 Officer	City of York Council	7 <sup>th</sup> December	Individual telephone interview
Owen Hayward	Assistant Chief Fire Officer	North Yorkshire Fire and Rescue Service	7 <sup>th</sup> December	Joint face-to-face interview
Carl Boasman	Head of HR	North Yorkshire Fire and Rescue Service	7 <sup>th</sup> December	Joint face-to-face interview
Ian Young	Section 151 Officer	North Yorkshire Fire and Rescue Service	7 <sup>th</sup> December	Individual face-to-face interview
Nigel Hutchinson	Chief Fire Officer	North Yorkshire Fire and Rescue Service	7 <sup>th</sup> December	Individual face-to-face interview
Michael Porter	Section 151 Officer	OPCC	7 <sup>th</sup> December	Face-to-face - joint Interview with Jane Palmer -
Jane Palmer	Section 151 Officer	North Yorkshire Police	7 <sup>th</sup> December	Telephone – joint interview with Michael Porter
Maria Earles	Head of Operations / Deputy Chief Constable	North Yorkshire Police	7 <sup>th</sup> December	Group telephone interview
Lisa Winward	Head of Operational Improvement	North Yorkshire Police	7 <sup>th</sup> December	Group telephone interview
Rosie Holmes	Head of HR	North Yorkshire Police	7 <sup>th</sup> December	Group telephone interview
Gary Fielding, representing Richard Flinton, CEO	Director of Resources and Section 151 Officer	North Yorkshire County Council	7 <sup>th</sup> December	Group telephone interview
Neil Irving	Assistant Director Policy and Partnerships	North Yorkshire County Council	7 <sup>th</sup> December	Group telephone interview
Julia Mulligan	PCC	North Yorkshire Police	8 <sup>th</sup> December	Group face-to-face interview

<b>Name</b>	<b>Title</b>	<b>Organisation</b>	<b>Date</b>	<b>Method</b>
Fraser Sampson	Acting Chief Executive	Office of the PCC (OPCC)	8 <sup>th</sup> December	Group face-to-face interview
Tom Thorp	Policy and Scrutiny Officer / Collaboration Lead	Office of the PCC (OPCC)	8 <sup>th</sup> December	Group face-to-face interview
Dave Jones	Chief Constable	North Yorkshire Police	13 <sup>th</sup> December	Individual telephone interview
Councillor Backhouse	Chair of the North Yorkshire Fire & rescue Authority	North Yorkshire Fire & rescue Authority	17 <sup>th</sup> January 2018	Individual face-to-face interview
Councillor Les	Leader of North Yorkshire County Council	North Yorkshire County Council	17 <sup>th</sup> January 2018	Individual face-to-face interview
Councillor Carr	Leader of City of York Council	City of York Council	22 <sup>nd</sup> January 2018	Individual telephone 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.