

WEST SUSSEX AND EAST SUSSEX FIRE AND RESCUE SERVICES

BUSINESS CASE FOR INCREASED COLLABORATION AND POSSIBLE MERGER

This is the latest version of a business case that has been written for Elected Members of West Sussex County Council and the East Sussex Fire Authority. A final business case will be completed when financial details have been received from the government on future funding arrangements for the Fire & Rescue Service, and the completion of ongoing work that includes the evaluation of property assets and IT implications.

FOR PUBLIC RELEASE ON 14 JULY 2011

Contents

Overview	3
Executive Summary	5
Main Document	
1. Introduction	15
2. Characteristics of the areas involved	15
3. Strategic drivers for change including Business Case options to be evaluated	25
4. Strategic issues involved with a combination for consideration as part of the Business Case	41
5. Initial assessment of financial implications arising from options 2a & 3.	53
6. Next steps in preparation of Business Case	62
Appendices	
1. West Sussex Fire and Rescue Service's Vision and Strategic Aims	63
2. East Sussex Fire and Rescue Service's Vision and Strategic Aims	66
3. Previous Government criteria for assessing local government reorganisation assessment criteria for governance arrangements (in addition to current DCLG guidance – copy available on request)	70
4. Station locations and types for both Services	74
5. 2010/11 Revenue Budget profiles for WSFRS and ESFRS	76
6. Equality Impact Assessment (summary page only)	78
7. Environmental Impact Assessment (summary page only)	80
8. Risk Log	81
9. Transitional and setting up costs	87
10. Discounting previous options from the Business Case	91
11. Indicative timetable for possible merger	94

OVERVIEW

This latest version of the Business Case considers the relative merits of increased collaboration* between West Sussex Fire and Rescue Service (WSFRS) and East Sussex Fire and Rescue Service (ESFRS) and a possible constitutional merger to create a new Combined Fire Authority covering West Sussex, East Sussex and the City of Brighton & Hove with a new merged Service underpinning it.

This version of the Business Case follows joint Member consideration and approval and is now made available for public release as the key supporting reference source to the public consultation document now being widely circulated to be used for both public and staff consultation processes taking place over a 12 week period from July to early October, based upon information which is available to date.

Two of the initial collaboration options (2b and 2c) have already been discounted by both Authorities, but the reasons for this are summarized in an Appendix to this document for reference.

This version of the Business Case evaluates the following remaining options:

- Option 1: Base position: Continued joint working in specific areas between the two services - Status Quo
- Option 2a: Enhanced **Collaboration*** between the two Services but under existing governance arrangements for West Sussex County Council (WSCC) and East Sussex Fire Authority (ESFA)
- Option 3: **Merger** (Combination) into a new Fire Authority covering (West Sussex, East Sussex and the City of Brighton & Hove with a new merged Service underpinning it merger).

*Collaboration means functions of both Services being managed jointly and functional resources pooled jointly together where it is deemed to be mutually cost effective to deliver corporate support and operational support services, but leaving local community services at local station level unaffected.

Councillor John Livings, Chairman of East Sussex Fire Authority; Councillor Pete Bradbury, West Sussex County Council (WSCC) Cabinet Member for Public Protection; Des Prichard, Chief Fire Officer & Chief Executive and Max Hood, County Fire Officer for WSFRS form a joint Steering Group which has been considering the development of the Business Case since the review was jointly agreed in late 2010. The Steering Group works in consultation with Councillor John O'Brien as a Member Adviser to Councillor Bradbury and other Member appointees as well as relevant appointed officers from the organisations involved.

An Independent Professional Advisory Group has also considered a previous draft of the Business Case. In overall terms, they have acknowledged the progress made; acknowledged the further issues that remain to be resolved; and have made a number of further suggestions that are being taken into consideration. They considered that enhanced Service collaboration and full merger were viable due to the similarities of the Services, local risk profiles and local communities served. Furthermore, subject to consideration of the final financial impacts of the different options, they have concluded that, on balance, a possible merger would seem to be preferable, within the context of the current financial climate, provided it delivers sufficient additional financial savings compared with increased collaboration, but reserve final judgement at this stage. The Group will meet in due course to consider a further iteration of the Business Case following the outcome of consultations and other related reviews which have been commissioned.

From the outset of this Review, there were two further sub-options for increased collaboration - a single management team managing both WSFRS and ESFRS and another which comprised one management team, reporting to a permanent Joint Board to manage appropriate elements of the democratic and governance arrangements.

Based upon legal advice of the respective authorities' Monitoring Officers, evidence provided, and other opinions offered, the Steering Group considered that these two sub-options should be discounted from further consideration for the purposes of progressing the Business Case and for appropriate recommendations to be made to their respective Authorities to confirm the conclusions. East Sussex Fire Authority took the necessary decisions at its meeting on 17 March 2011 and, as such, the options have been discounted from this iteration of the Business Case. For the purposes of completeness, the penultimate appendix to this Business Case summarises the key reasons for discounting these options.

Sound progress has been made in evaluating the opportunities afforded by increased collaboration/ and the extra benefits offered from possible merger. Earlier considerations of a sub regional control room solution were considered, but dismissed, and work is now progressing on a review of a joint control room function which is expected to deliver significant financial savings under the collaboration option. Remaining financial savings appear modest compared with those that might be achieved through a merger. More significant savings might be anticipated following a possible merger facilitated by a more fundamental structural reform starting at Corporate Board level through functional management across a new organisation. It is also likely that wider rationalisations and cost-efficiencies will be generated from a possible merger through partnership improvements, shared services or other contractual rationalisations.

In overall terms, the option most likely to generate the most service improvements with the simplest structure of accountability is the merger option, subject to the required consultation outcomes, the outcomes from two technical reviews underway on IT and property implications of merger, outcomes of negotiations with DCLG on formula grant projections particularly beyond 2012/13 and political considerations.

It is expected that a final Business Case will be prepared so that all these remaining outcomes have been completed for future consideration in November/ December in order to complete the work required to meet the DCLG criteria. A possible merger would require DCLG approval with an earliest commencement date of 1 April 2013. However, this may depend upon the outcome of announcements on 2013/14 and 2014/15 Formula Grant as key elements of the required Council Tax equalisation assessments.

EXECUTIVE SUMMARY

1. INTRODUCTION

- 1.1 West Sussex County Council and East Sussex Fire Authority have jointly agreed to commission a Business Case to consider the potential benefits of increased collaboration including a possible merger to create a combined fire authority across West Sussex and East Sussex and the City of Brighton and Hove, the latter two areas already forming a combined fire authority since 1 April 1997.
- 1.2 A Member Steering Group lead by Councillor Peter Bradbury, Cabinet Portfolio Holder for West Sussex County Council and Councillor John Livings, Chairman of East Sussex Fire Authority as well as Max Hood, County Fire Officer, WSF&RS and Des Prichard, Chief Fire Officer and Chief Executive ESFRS will steer the officer team during the preparation of the Business Case. The respective Monitoring Officers and Treasurers of both organisations, as well as an established external Professional Advisory Panel, will be involved throughout.
- 1.3 It was agreed initially that the Business Case should consider the following options:
 - Option 1: Continued informal collaboration (Status Quo)
 - Option 2: Formal Collaboration
 - a: Enhanced collaboration between the two Services
 - b: Single Senior Management Team reporting to two legal entities (WSSC and ESFA)
 - c: Joint Board and single Senior Management Team
 - Option 3: Combination (merger).
- 1.4 An outline Business Case was considered in January and a first draft of an Interim Business Case was considered by the Member Steering Group on 23 February 2011. At this meeting, the Steering Group fully explored the detailed implications of Option 2b) a single Management Team reporting to two differently constituted Member bodies and Option 2c, the creation of a Joint Board to support the single Management Team arrangements of Service collaboration (Option 2a).
- 1.5 Based upon legal advice of the respective authorities' Monitoring Officers, evidence provided, and other opinions offered, the Steering Group considered that these two sub-options should be discounted from further consideration for the purposes of progressing the Business Case and for appropriate recommendations to be made to their respective Authorities to confirm the conclusions. East Sussex Fire Authority took the necessary decisions at its meeting on 17 March 2011 and, as such, the options have been discounted from this iteration of the Business Case. For the purposes of completeness, the penultimate appendix to this Business Case summarises the key reasons for discounting these options. Essentially, there was little merit to be gained from further exploration of these two collaboration sub-options 2b) and 2c) within the context of what both Authorities were seeking to achieve as a primary objective and bearing in mind the local context.

- 1.6 There now remain three options for continued evaluation:
- Option 1: Base position: Continued joint working in specific areas between the two services - Status Quo
- Option 2a: Enhanced **Collaboration** between the two Services but under existing governance arrangements for West Sussex County Council (WSSCC) and East Sussex Fire Authority (ESFA)
- Option 3: **Merger** (Combination) into a new Fire Authority covering (West Sussex, East Sussex and the City of Brighton & Hove with a new merged Service underpinning it merger).

*Collaboration means functions of both Services being managed jointly and functional resources pooled jointly together where it is deemed to be mutually cost effective to deliver corporate support and operational support services, but leaving local community services at local station level unaffected.

- 1.7 In overall terms, the option most likely to generate the most service improvements with the simplest structure of accountability is the merger option, subject to the required consultation outcomes, the outcomes from two technical reviews underway on IT and property implications of merger, outcomes of negotiations with DCLG on formula grant projections particularly beyond 2012/13 and political considerations.
- 1.8 Officers were requested to prepare a further iteration of the Business Case to identify progress made on evaluating the remaining options in order to determine whether there were any preferred options which should proceed for joint consideration and for possible approval, in principle, prior to further consultation and engagement, depending upon the option chosen. Following the formal consultation period, it was agreed that further consideration would then take place in late September/early October before an expected final decision is taken on how best to proceed in December 2011.
- 1.9 This Business Case seeks to follow the relevant DCLG guidance by summarising the key issues involved. It is recognised that there are some key issues that still need to be determined for inclusion in the final Business Case prior to any final decision. These key work areas include:
- Evaluating in full, the strategic financial issues identified in this document following the outcomes of negotiations with DCLG over formula grant information beyond 2012/13
 - Finalising in full, the functional savings arising from the options being evaluated
 - Evaluating the ICT and property/ other asset implications arising from the different options
 - Concluding the various impact assessments including people and environmental implications
 - Finalising the strategic risk implications as part of the overall strategic assessment once strategic funding is known.
- 1.10 This Business Case identifies the local dynamics of social and demographic characteristics of the areas affected, the community safety needs of the area, the respective characteristics of the current organisations and the key strategic issues to be considered for increased collaboration within the next two to three years and for possible merger.

2. **RECENT HISTORY**

- 2.1 West Sussex and East Sussex Fire & Rescue Services have assisted each other at operational incidents across our common boundaries for years; we have called upon each other's support for major incidents; we have put on joint training for a whole range of services; and we work jointly with common partners such as the Sussex Community Safety Partnership.
- 2.2 Recent priorities for all Fire & Rescue Services (FRSs) have been set by successive Government national frameworks and regional collaboration has been the order of the day. Again, much has been achieved with each of the nine FRSs in the South East region taking a lead role in a key initiative and all nine FRSs have been working to these common strategic and cross-service aims and objectives. The most significant of these has been the preparations for the Regional Control Centre, which has been led by the County Fire Officer for West Sussex, including agreeing common ways of working for all operational incidents. Another has been the joint work led by Kent on a common contract for the replacement of PPE and previously common workwear was agreed by the Authorities across our region. There have been, and continue to be, lots of work shared right across the south east as well as nationally. This will all continue.
- 2.3 Practically, the South East Region is too large to make further collaboration work effectively. There is no great strength of feeling that further regional working on any greater scale would be effective and there remains a strong sense of preserving localism and local democratic arrangements as being the preference to regional arrangements.

Since the change in Government, it is clear that neither is the Coalition Government in favour of formal regional structures and their new 'Big Society and Localism' agenda is bringing a different emphasis right across local government, including our Service, giving local communities more say in how their services are run, paid for and trying to get more local people involved in local community services. A new Decentralisation and Localism Bill has just been published that will require different ways of working to be introduced right across local government - new ways of collaborating will help to ensure we can respond to these new demands without it costing our taxpayers any more.

- 2.4 Saving significant amounts of taxpayers' money without any significant loss in services provided to local communities is certainly the key issue for every single part of local government at the moment. The Coalition Government has recognised that the public sector is no longer affordable as it is currently structured and the Fire Minister has made it clear that he expects all FRSs to take a long, hard look at themselves and seek improvements in both services provided as well as saving money on unnecessary bureaucracy and support costs. It was also made clear in the recent Government Grant Settlement that the Fire & Rescue Service must expect to cope with a loss of grant of 25% over the next 4 years, but with the biggest grant reductions taking place in 2013/14 and 2014/15.
- 2.5 Both organisations have identified the need to make savings over the medium term to broadly mirror the predicted reductions in Formula Grant and to help meet the hardened economic climate being faced for the foreseeable future. For ESFRS, the 2011/12 Medium Term Plan has now been agreed which includes a programme of savings agreed for implementation in 2011/12 and 2012/13 and a further package of savings approved in principle that might be required in 2013/14 and future years. It is possible that some of these savings may not be required if savings from this review come to fruition.

- 2.6 However, there remains a potential £1.3m per annum shortfall to be identified by the Fire Authority from 2015/16 onwards based upon current medium term plan projections. Under the current WSCC medium term plan, WSFRS must achieve minimum savings of £2.5m per annum from 1.4.2013. It is possible that any agreed collaboration savings will contribute to this requirement, but as the information presented later in this Business Case suggests, collaboration is unlikely to deliver £5m in total across both organisations to give a WSFRS share of £2.5m. Currently, combined savings arising from collaboration are predicted at just over £2m per annum, equating to savings of approximately £1m to each organisation. Consequently, WSFRS would have to fund any savings gap from elsewhere in its budget with a commensurate risk of service reductions. Conversely, under a merger, the savings burden would actually transfer to the new CFA and would alter in relation to the actual savings required. The Business Case indicates that savings from a possible merger will be more substantial than from collaboration. These would feed into the newly created merged CFA budget along with its new formula grant calculations which would also have to be established. Formula grant reductions over the next four years for existing CFAs are expected to be in the order of 25% compared to the 2010/11 grant base figures (20% reductions being expected from 2013/14 onwards for CFAs). The 2010/11 combined formula grant for both organisations is in the order of £23m, so a predicted grant reduction of around £5.8m seems a reasonable working presumption.
- 2.7 Shorter term savings arising from a possible merger are predicted currently at around £3.8m per annum with more still to identify from specialist reviews under way on IT and Insurance, in addition to the savings already being progressed within ESFRS to meet its predicted share of the formula grant reductions. Further savings would also be expected to be achieved after a period of implementation as set out in Section 5.5.5 of the main report.
- 2.8 It is possible that transitional funding support from the Government may help to manage the more immediate budget pressures in at least the first two to three years in order to help a new CFA to establish itself should merger be jointly agreed as a preferred way forward.
- 2.9 Looking at new ways to collaborate, share support services and enter into larger joint contracts and pooling senior management will help to close this aggregate funding gap. A possible merger may also yield further benefits. So it is absolutely timely that both organisations consider the relative merits of greater opportunities for collaboration and possibly a future merger compared with the current arrangements.

3. **AGREED CRITERIA FOR SUCCESS FOR ASSESSING AS PART OF BUSINESS CASE (SEE SECTION 3.3.10)**

- 3.1 The key criteria for assessing success have been identified as follows. Each will be considered in the context of current arrangements, opportunities for collaboration and also merger:
- Reduced functional and possible corporate board management structures to improve cost effectiveness
 - Efficiency, resourcing and funding, such as achieving budgetary savings to meet government grant reductions and minimise frontline service cuts
 - Improved opportunities to gain further improvements in organisational performance, such as conduct of community fire safety work and ability to implement the national improvement agenda

- Operational performance, such as ability to provide specialist operational resources across a wider area and achieve economies of scale and scope
- Support functions rationalised including IT infrastructure improvements
- Improved civil protection and related operational resilience (such as ability to handle staff absence and respond to major incidents), common operational ways of working and operational support effectiveness
- Enhanced strategic capacity
- Potential future opportunities to consider service rationalisations to improve service delivery and cost effectiveness within the A23 corridor- our common boundary
- Strategic voice and leadership across Sussex in partnership with Sussex Police, Sussex and Surrey Probation Trust, Sussex Safer Road Partnership, WSCC, ESCC and the City of Brighton & Hove
- All with fire stations retaining the local community connections but supported more cost effectively.

3.2 The actual process of considering joint collaboration also offers opportunities for both organisations to consider a number of Business Transformation issues including such issues as:

- capacity building
- greater commissioning roles across organisation and resultant implications for service planning + packaged functional services - shared, outsourced, partnership, in-house - but must be sufficiently holistic to be manageable from a client management perspective
- opportunities to become more commercial in some areas – fees, trading across a larger catchment area and therefore worth the administrative bureaucracies involved
- being able to press for stronger community safety and safe business principles in others – e.g. false alarm management
- more innovation in back office streamlining, reducing bureaucracy
- more community activation – volunteers – and creating an internal capacity to harness volunteers and co-ordinate them effectively
- helping to drive out cultural inertia, through a change management agenda so that the best of values are sustained, not the worst of them
- driving in localism and devolved responsibilities and funding
- acceptance of community and risk intelligence and using social marketing to assist service planning through more heavily prioritised resource management
- greater strategic engagement with the essentially Sussex wide business community, voluntary sector – exposure of impacts of cuts on community
- business skills development = achieving greater leverage from available resources
- pluralistic management of community resources - added value of total public sector investment locally - multi-agency approach but every £1 invested at the best time and by the best agency to yield best benefit
- being a good partner for the new organisation
- enhanced opportunities for co-responding; co-providing, sharing assets
- supporting public health agenda returning to local government.

- 3.3 There are critical differences between collaboration and merger. Essentially, increased collaboration would mean that both Services work even more closely together, sharing workloads, assets, support services and the potential to achieve some shared management arrangements, but would continue to be managed under the existing democratic arrangements with ESFRS working directly to the East Sussex Fire Authority and WSFRS working directly to the West Sussex County Council Cabinet via a Lead Cabinet Member.
- 3.4. A possible future merger would mean that a new Combined Fire Authority (CFA) is created covering the whole of Sussex with its membership drawn from West Sussex County Council (3/6ths of the total membership); East Sussex County Council (2/6ths) and the City Council (1/6th). The maximum number of Councillors for a Combined Fire Authority is 25 and so a new Sussex CFA would be likely to have 24 or 18 Members on it to reflect these proportionalities, but it is possible that the total numbers might be limited to 12, provided this is considered to provide effective representation across the supported population of over 1.5 million people, but this latter option is unlikely to be accepted by the City Council and the East Sussex Fire Authority.
- 3.5 There are a significant number of advantages to closer collaboration with our closest neighbouring Service, whose local communities are also part of our same wider Sussex community. These alone would be likely to yield significant service improvements to local communities, asset utilisation and more cost-effective support services.
- 3.6 However, whilst there are a number of benefits to be gained from increased collaboration, this in itself would be unlikely to allow for a complete rationalisation of support services, functions and senior management structures and many areas of organisational support would have to continue to serve two democratically accountable governing bodies and manage different decision-making timescales and planning and service delivery arrangements. Whilst all of the potential savings may not be delivered by merger, the Business Case will need to establish the degree to which sufficient savings can be achieved through greater collaboration and joint structure. But, recognising the localism agenda, it is important that local communities recognise their own community services and feel that every one of them is accountable and reflective of their own values and sense of place.
4. **ASSESSMENT OF THE KEY RELATIVE ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT APPRAISAL OPTIONS**
- 4.1 Option 1 – Base position: Continued joint working in specific areas between the two services - Status Quo
- 4.1.1 This option is used as the base comparator from which the relative advantages and disadvantages of the key remaining service improvement options (2a enhanced collaboration and option 3 merger) are assessed. If neither of these options were progressed, both ESFRS and WSFRS would continue to develop joint Service approaches over the medium to long term where it was proven cost-effective to do so – but, in principle, this option would not lead to any significant business effectiveness advantages and would require alternative savings proposals to be developed to meet the financial pressures facing both organisations. Almost certainly, progressing this option would require more frontline service reductions equivalent to the savings expected to be achieved by the following options :

4.2 Option 2a Collaboration – two leadership teams, two authorities

4.2.1 In looking at this option, the main areas up for consideration for savings are:

- Control room
- Senior operational managers on rota (though day jobs remain to be done of course, notwithstanding the point below)
- Specialist support teams.

4.2.2 Further functions which might be considered are either provided by WSCC or outsourced by East Sussex FRS and already enjoy economies of scale or would be needed to be maintained in house due to separate organisations being maintained e.g. business support. So looking at how this might operate under this option, two models appear to be the most obvious.

- One model would be a strategic joint commissioning approach where both services agree a specification of a level of service to be provided function by function and these are then sourced from each other, other authorities or the private sector. Strategic joint commissioning, creating an environment of choice, would require the development of a much better understanding of what functions actually cost the two Services, as well as work on specifying outputs and outcomes required. Expertise around commissioning and contract management would need to be developed further, or could be commissioned too.
- The second model is for functions to be delivered in house, but through a lead authority arrangement. This would avoid setting up combined teams where employment, management, equal pay, accommodation and technology issues would be more likely to be complicated and problematic. Work on specifying outputs and outcomes required, with costs, would still be needed. A combination of these two options could also be adopted and the costing projections adjusted appropriately to reflect what is agreed.

4.2.3 The broader risks associated with this option (and the following two) are operational, managerial, financial, reputational, technological and opportunity.

4.2.4 **Operational** – West Sussex FRS officers would, from time to time, take charge of operational incidents in East Sussex and command East Sussex resources and vice versa. There are legal/indemnity issues which would need attention, but the risks associated with this are about accountability – if something goes wrong who is to blame?, who is liable?. In relation to clarity of command – would East Sussex firefighters default to seek advice from other East Sussex officers at a time of crisis?; would the interchangeability of officers create potential confusion, particularly if both services had simultaneous large incidents and Gold Command was required?; how would a joint control room be managed during spate conditions particularly regarding the disposition of remaining resources and calls on neighbouring authorities for which there may be a charge (e.g. pluvial flooding - likely to affect both West and East Sussex simultaneously)? Finally, leadership in Fire and Rescue Services has long been recognised as important both in times of change, but more importantly in times of operational challenge. Two Services, with shared functions, attempting to resolve incidents *in extremis* might suffer from having two Chief Fire Officers trying to lead joint teams.

Managerial - There is the risk that having functions delivering services to two Fire and Rescue Services that have conflicting or additional requirements could cause confusion, overstretch or poor service. Clearly, mechanisms can be put in place to mitigate against this, but it remains a risk.

Financial – With two senior management teams, there is the risk that not all the financial savings committed to, or possible further savings, are delivered. There will still be service policy and planning differences to accommodate and resource prioritisation differences, differences in working methodologies and a requirement to continue to support differential policy approval processes that will add to, rather than streamline, effective business decision making.

Reputational – With officers from respective services in charge of incidents in each Service's areas there would be times when, for example, a major incident in Chichester might have a Principal Officer from East Sussex in charge undertaking media interviews and subsequently giving evidence in enquiries/legal proceedings. This does not chime with the concept of keeping the Fire and Rescue Service within West Sussex County Council, if that was a consideration for choosing this option.

Technological – With two separate authorities and management teams, the ability to manage change to harmonise IT systems to improve efficiency and deliver savings may be difficult. Competing demands, different timescales and affection for existing systems could get in the way of moving forward.

Opportunity – With two Services still being managed by two senior management teams, opportunities that greater capacity might bring would be potentially diluted by two management teams having differing priorities.

- 4.2.5 Notwithstanding the risks, there are clearly significant operational, cost efficiency and strategic capacity benefits to be gained from increased collaboration recognised by both organisations and as such it remains one of the two most favoured options, the other being a potential merger, which to seek similar gains, subject to the final completion of the full Business Case and other considerations.

4.3 **Option 3 Merger – one constitutional body, one leadership team, one Service**

- 4.3.1 The creation of a Joint Board moving into Shadow Authority status prior to a possible merger would be a required staging post. Such an interim step would be helpful to commence to realise some of the joint savings expected to arise should a merger be preferred, subject to an appropriately agreed and mutually acceptable protocol for both relevant savings and, indeed, transitional costs, which might also be ameliorated through transitional government support. However, for the purpose of the evaluation, this transitional stage is accepted as a requirement for merger preparations to be successful and the following evaluations presume a merger is in its permanent status.
- 4.3.2 The risks involved in a merger relate principally to constitutional and governance considerations as well as financial ones in terms of the need to undertake disaggregation of all relevant financial, contractual and asset considerations from WSCC into the newly formed Authority. All previous concerns of the collaboration options can be resolved through clarity of command, management and functional restructuring.

- 4.3.3 The key issues are whether the current and future financial benefits to be gained from a future merger are of sufficient strategic significance to the current constitutional bodies to merit the constitutional changes arising. WSCC would lose direct control over its Service, replaced by half membership of a new CFA covering the whole of Sussex and ESFA would give up its sovereignty over fire and rescue service provision in East Sussex and the City of Brighton and Hove for the remaining membership of the newly formed Authority. Both East Sussex and City membership would be smaller in proportional terms.
- 4.3.4 However, it is fully acknowledged that there are some very significant issues that have to be considered and negotiated in terms of any possible future merger into a Sussex Combined Fire Authority. A full merger is a feasible option, but in order to conduct a full analysis, there are a number of issues to be considered and resolved. These strategic issues are set out in detail in Section 4 of the main report.
- 4.3.5 For the purposes of this Business Case, it has not yet been possible to identify the magnitude of all of the related financial aspects and it is acknowledged that some of the elements have a compound impact. However, approval has been given to this latest version of the Business Case stage to proceed with considering merger as one of the options for formal evaluation and consultation.
- 4.3.6 What must remain accepted is the strategic driver of a collective shortfall in savings of £3.8m per annum under the current arrangements. (WSFRS - £2.5m by 2013/14 and ESFRS - £1.3m by 2015/16 - which would need to be remodelled for a new CFA under the merger option due to the impact of changed grant reductions for the new authority). Such savings would have to be found from within these various options if community services are to be preserved and the expected cuts in Formula Grant of 25% over the next four years 'absorbed'. It is also the 'bottom line' picture that is required to be kept in strategic focus. It is the net impact upon the precept to local council taxpayers that matters. Both Authorities must judge whether their preferred structural solution delivers sufficient savings, whilst maintaining current service standards, weighed against a perceived loss of democratic control of its FRS.

4.4 **Next Steps**

- 4.4.1 Our respective elected Members have agreed to proceed to the consultation stage prior to making any final decisions.
- 4.4.2 If enhanced collaboration had been the preferred option (option 2a), it would have only been necessary to consult internally with both organisations and key stakeholders. As a merger is now proposed (option 3) it is necessary to conduct a public consultation programme over a 12 week period with local communities, our partners and stakeholders as well as our staff and their representative bodies. Once the feedback is received, a final decision will then be taken on the way forward and, if a merger were approved in principle, this would have to be approved by the Minister for Fire at DCLG.
- 4.4.3 Whilst the final Business Case has yet to be produced, the process of even undertaking such a Business Case offers the opportunity for both organisations to challenge what has gone before, challenge the current direction and consider the extent to which a different strategic approach may be advantageous and needed to meet the external challenges ahead.

5. **RECOGNITION OF OTHER KEY ISSUES TO BE COVERED IN THE FINAL BUSINESS CASE**

- 5.1 The contents of this Business Case are by no means comprehensive in relation to the issues that still need to be covered in the full Business Case for consideration in October through to December 2011, not least of which will be the differing impacts upon local democratic arrangements and final assessments of improvements in the overall cost effectiveness of our Fire & Rescue Services to local communities and any marginal and indicative impacts upon local council taxpayers over the medium term.
- 5.2 However, it is considered that there is sufficient evidenced based information gathered to date to allow a meaningful consultation process to be undertaken, bearing in mind the classic legal test for consultation (derived from the Court of Appeal judgment in the case of the R v North and East Devon Health Authority ex parte Coughlan)

"It is common ground that, whether or not if interested parties and the public is a legal requirement, if it is embarked upon it must be carried out properly. To be proper, consultation must be undertaken at a time when proposals are still at a formative stage; it must include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response; adequate time must be given for this purpose and the product of consultation must be conscientiously taken into account when the ultimate decision is taken."

- 5.3 In presenting a public consultation version of this Business Case:
- i) The key outcomes expected from a merger for wider community benefit in comparison to collaboration are known, but the detailed proposals are still at a formative stage;
 - ii) The Business Case presents information to indicate frontline services are more likely to be protected via a merger compared to the collaboration options;
 - iii) The planned consultation processes are of a sufficient duration over the period July to October, timely in relation to subsequent decision making which isn't planned to take place until the period mid October to December and;
 - iv) Where further information is still being sought from the DCLG on formula grant implications of any merger, Government guidance on any such potential merger is absolutely explicit on issues such as impact upon Council Tax across the area in order to protect council taxpayers from hidden increases and any proposals on a possible merger would have to deliver to the Government's strict criteria on cost implications to Council Taxpayers otherwise the Government will not approve them – in essence the savings must deliver to meet formula grant reductions with minimum additional costs, if any, falling upon council taxpayers – otherwise the merger will fail with or without local consensus.

6. **CONCLUSIONS**

- 6.1 From the work undertaken to date, it is clear that increased collaboration is set to continue, and with a greater momentum, if only because both Authorities have accepted the need for closer working, to protect community services, rationalise support functions and enhance organisational capacity. Current evidence would suggest that greater efficiencies could be derived from a possible future merger than via increased collaboration. It has thus been recommended that the full Business Case be prepared to evaluate the following options:
- 6.1.1 Option 1: Status Quo as the benchmark only.
 - 6.1.2 Option 2a: Increased collaboration at Service level only.
 - 6.1.3 Option 3: Merger into a combined fire authority for West Sussex, East Sussex and the City of Brighton & Hove.

MAIN REPORT

1. INTRODUCTION

- 1.1 West Sussex County Council and East Sussex Fire Authority have jointly agreed to commission a Business Case to consider the potential benefits of increased collaboration including merger to create a combined fire authority across West Sussex and East Sussex and the City of Brighton and Hove, the latter two areas have already formed a combined fire authority on 1 April 1997 compared with the current arrangements.
- 1.2 This Business Case has been presented to both organisations in June/July 2011 for strategic approval prior to further consultation and engagement.
- 1.3 This Business Case identifies the key issues identified to date, local dynamics of social and demographic characteristics of the areas affected, the community safety needs of the area, the respective characteristics of the current organisations and the key strategic issues to be considered for increased collaboration within the next two to three years and possible merger in due course.

2. CHARACTERISTICS OF THE AREAS INVOLVED

2.1 Basic Facts

Table 1 – Key area data	West Sussex FRS	East Sussex FRS	ESFRS compared with WSFRS % difference	Total merged
Population June 2009	794,300	768,400	-3	1,562,700
Area in hectares	199,053	179,536	-10	378,589
Council Tax Base	325,901	299,788	-8	625,689
Number of Chargeable properties				
Domestic	345,893	350,016	+1	695,909
Commercial	24,473	26,383	+8	50,856
Total	370,366	376,399	+2	746,765

2.2 Basic Social Demographic Make up

Table 2 – Basic population profiles	West Sussex		East Sussex
Democratic Structures		Democratic Structures	
West Sussex		East Sussex	768,400
West Sussex County Council	794,300	City of Brighton & Hove	256,400
Adur District Council	61,200	East Sussex County Council	512,000
Arun District Council	150,800	Eastbourne Borough Council	96,400
Chichester District Council	112,900	Hasting Borough Council	86,900
Crawley Borough Council	105,100	Lewes District Council	96,400
Horsham District Council	130,000	Rother District Council	89,200
Mid Sussex District Council	131,500	Wealden District Council	143,100
Worthing Borough Council	102,800		

ONS population estimates and 2008 based projections for 2009

2.3 History and characteristics of the area

2.3.1 Whilst there are many organisations which cover the whole of the Sussex area, for local government administrative purposes, East and West Sussex have been governed separately since their creation in Anglo Saxon times, with Steyning being the original administrative county town for West Sussex until it was moved to Chichester and Lewes remaining as the county town for East Sussex.

2.3.2 West Sussex has been traditionally a rural area, covering the coastal plain from Portslade in the east across to the Hampshire border near Emsworth and north over the South Downs through the western weald towards Crawley and the Surrey border. The key towns of Chichester, Littlehampton, Bognor, Worthing, Horsham and Crawley have been developed substantially over recent years, the latter being the largest with a population of over a 100,000.

2.3.3 East Sussex has over 70% of its population along the coast in the main towns of Hastings, Bexhill, Eastbourne, and the City, with the latter now totalling 256,300 in population. North of the Downs, the area is very similar in nature to West Sussex, essentially rural in nature with small towns and villages.

2.4 Area and Service demands upon the Fire & Rescue Services

2.4.1 In addition to meeting the demands of the social and demographic characteristics of the area, both organisations serve the following Fire and Rescue Service needs:

Table 3 – Key business profiling	West Sussex FRS	East Sussex FRS	ESFRS compared with WSFRS % difference	Total merged
Business Rates base				
Commercial properties	16,304	18,581	+14	34,885
Educational, Training and Cultural	552	617	+17	1,169
Formula Assessed Public Utilities	4	1		5
Industrial properties	3,487	3,070	-12	6,557
Leisure	1,867	1,894	+1	3,761
Miscellaneous	978	1,098	+12	2,076
Non Formula Assessed Public & Other Utilities	108	94	-13	202
Treasury (Crown)	10	16	+60	26

2.4.2 There is little heavy industry within the area. There is a moderately sized chemical refinery in Rye; a major pharmaceutical factory in Worthing and a significant electronics and related industries within the City and Crawley areas. The remainder is light industry comprising small to medium sized companies.

2.5 Transport infrastructure

2.5.1 There is only one motorway in the area – commencing on the outskirts of Crawley to the Surrey border. The main arterial roads are the A27 running east to west from Eastbourne, around Brighton & Hove, through Worthing and Chichester to the western boundary north of Emsworth, the A29 from Bognor northwards, the A24 running from Worthing north towards Leatherhead, the A23 running north from Brighton, the A22 north from Eastbourne and the A21 north from Hastings. The A272 is the only other main east west route across both counties. The paucity of dual carriageways results in high numbers of road traffic collisions for both counties relative to other counties of similar sizes.

2.5.2 Rail links again feed from the main coastal towns north to London, with the main east west cross link along the coast.

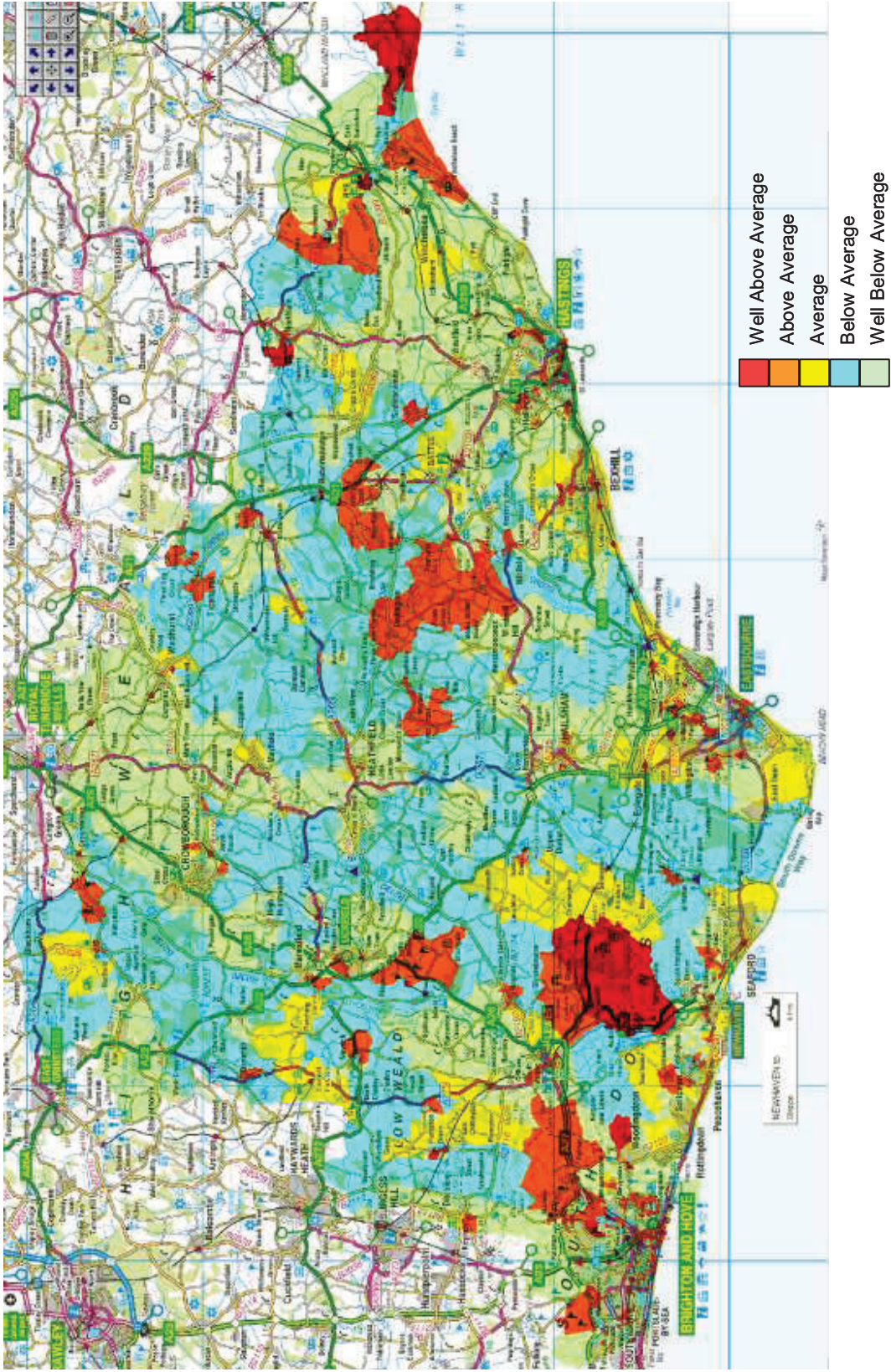
2.5.3 There is one major airport within Sussex – Gatwick.

2.5.4 In terms of shipping, there are two medium sized commercial harbours at Newhaven and Shoreham with a number of marinas serving coastal tourism and leisure.

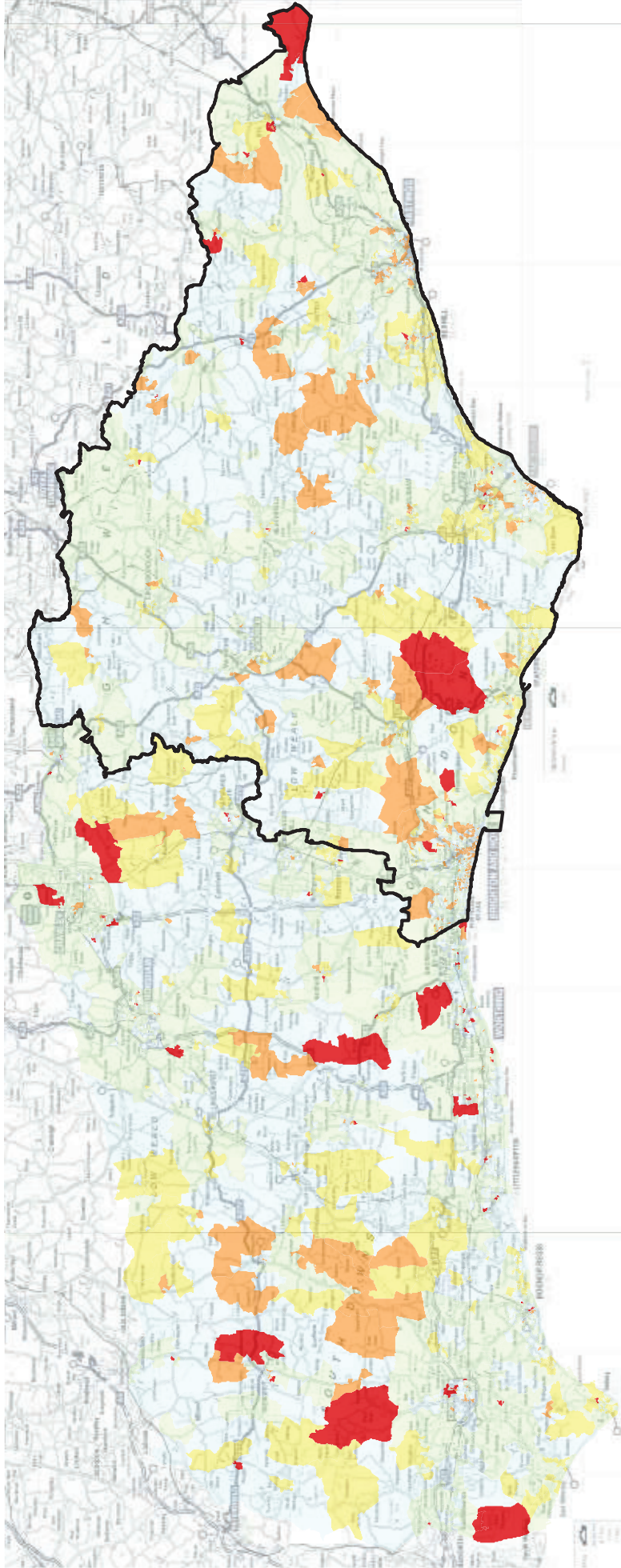
2.6 Incidents attended

2.6.1 The maps below present an indicative picture of the pattern of community risk, total incidents and RTCs over the two Services' areas - the data periods and pictures will be matched in the final Business Case.

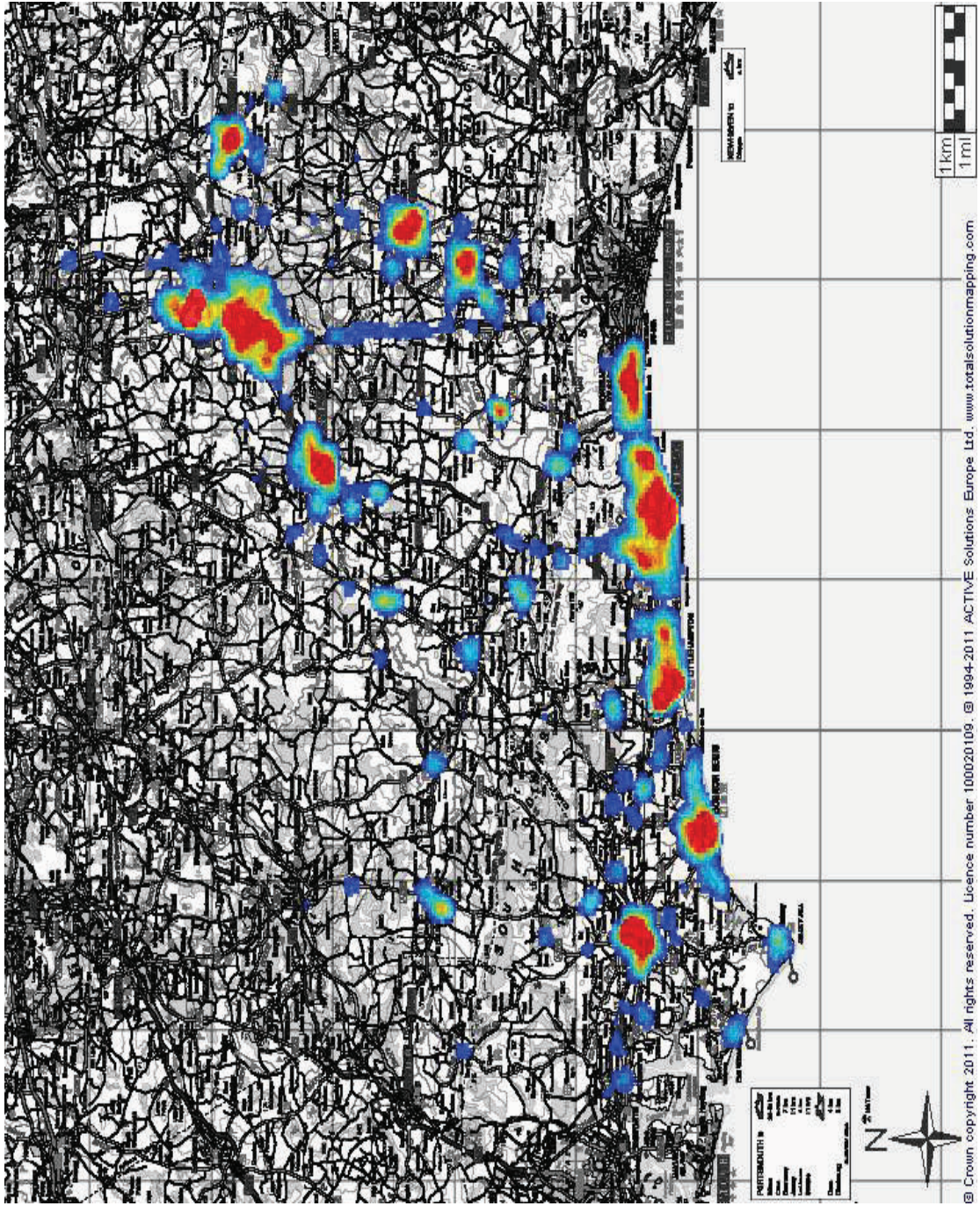
ESFRS Predicted Dwelling Fatality Rates (Apr 04-Mar 09)



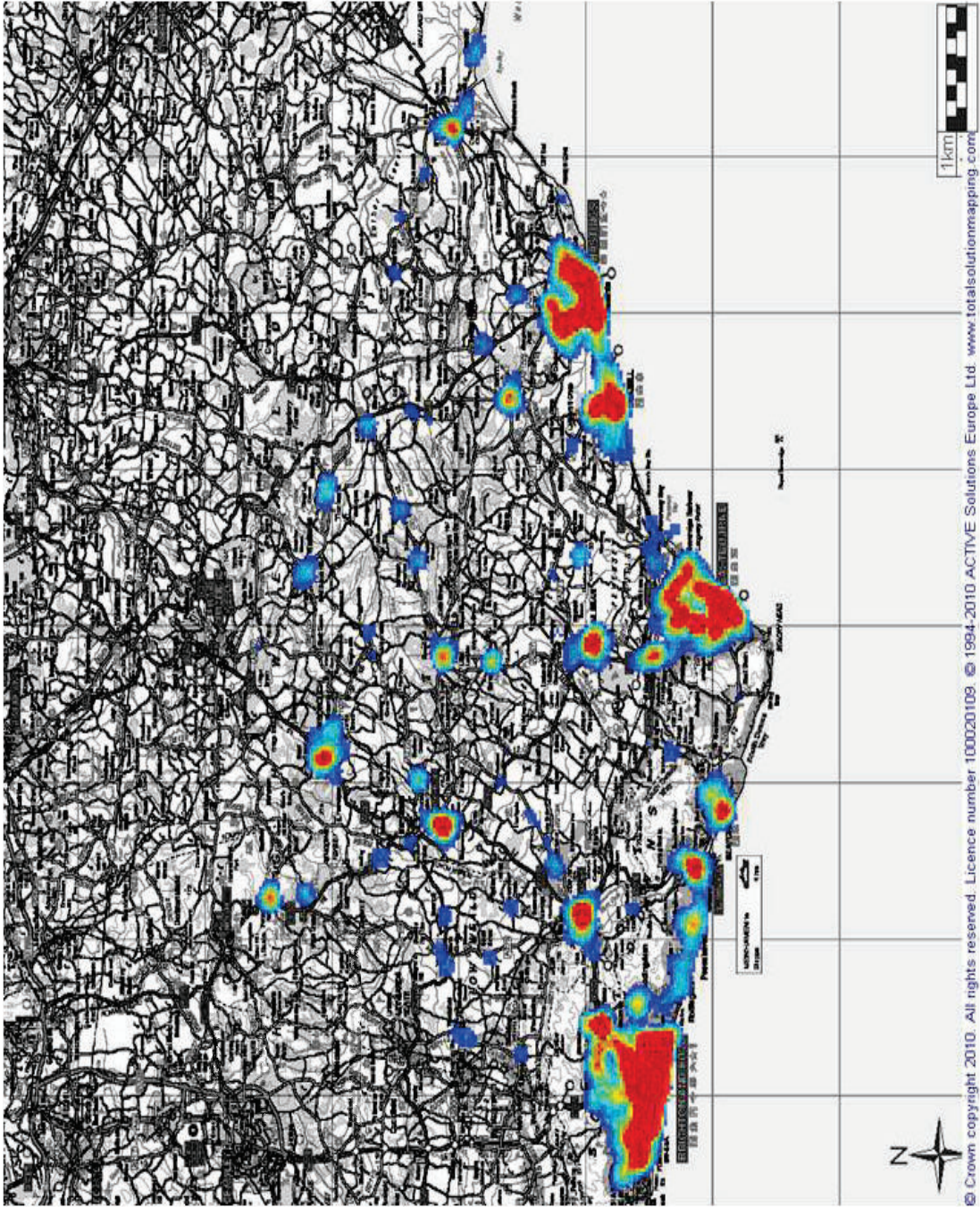
**ESFRS / WSFRS Predicted Dwelling Fatality Bands –
Risk of death by Output Area
(based on Apr 04 – Mar 09 incident data)**



WSFRS All Incidents Hotspot Map Apr 2007- Mar 2009



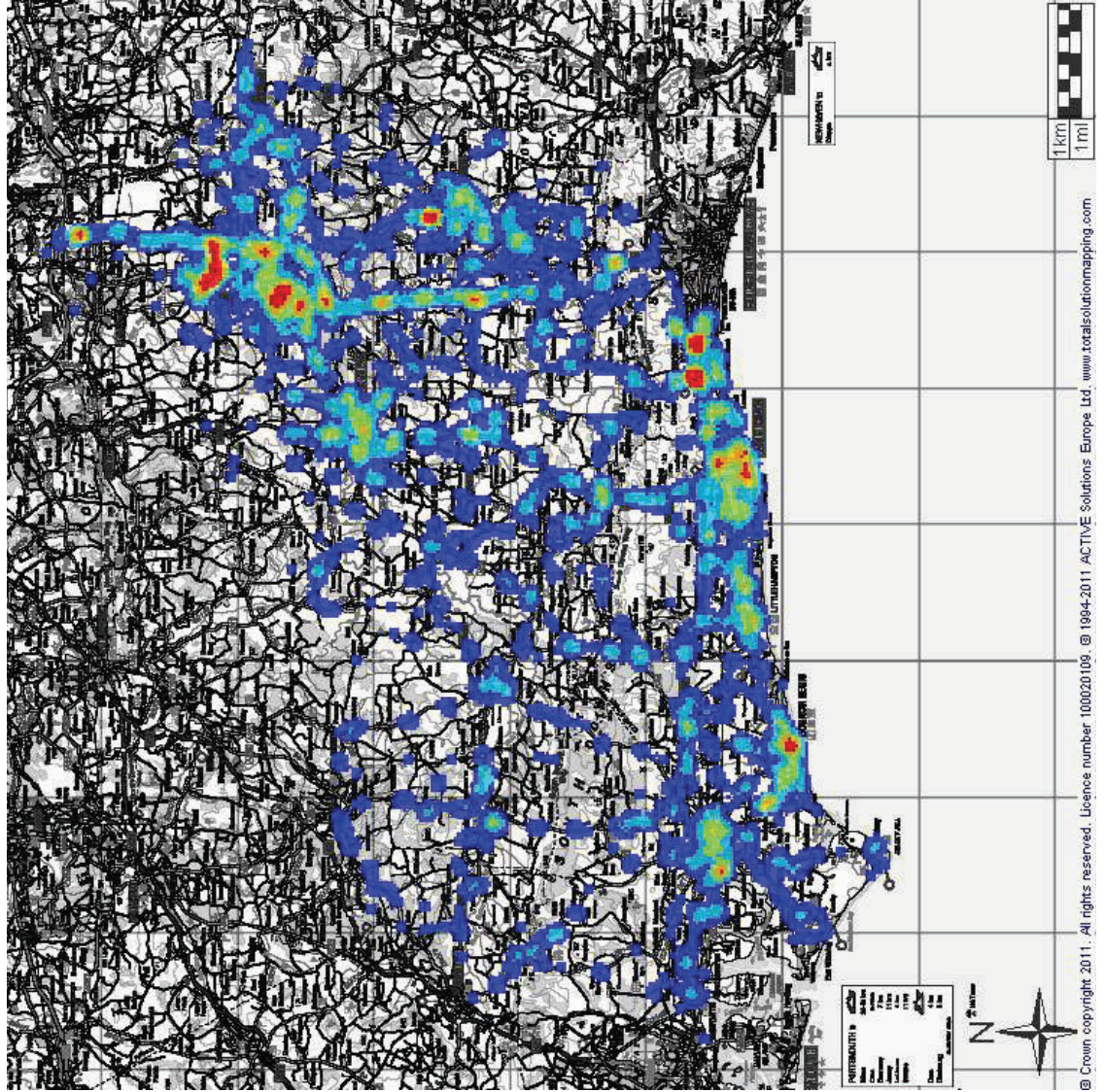
**ESFRS All Incidents Hotspot Map
Apr 2007- Mar 2009**



Key	Lower	to	Upper
	11	to	20.9r
	21	to	30.9r
	31	to	40.9r
	41	to	50.9r
	51	to	60.9r
	61	to	70.9r
	71	to	80.9r
	81	to	90.9r
	91	to	100.9r
	101	to	110.9r
	111	and	over

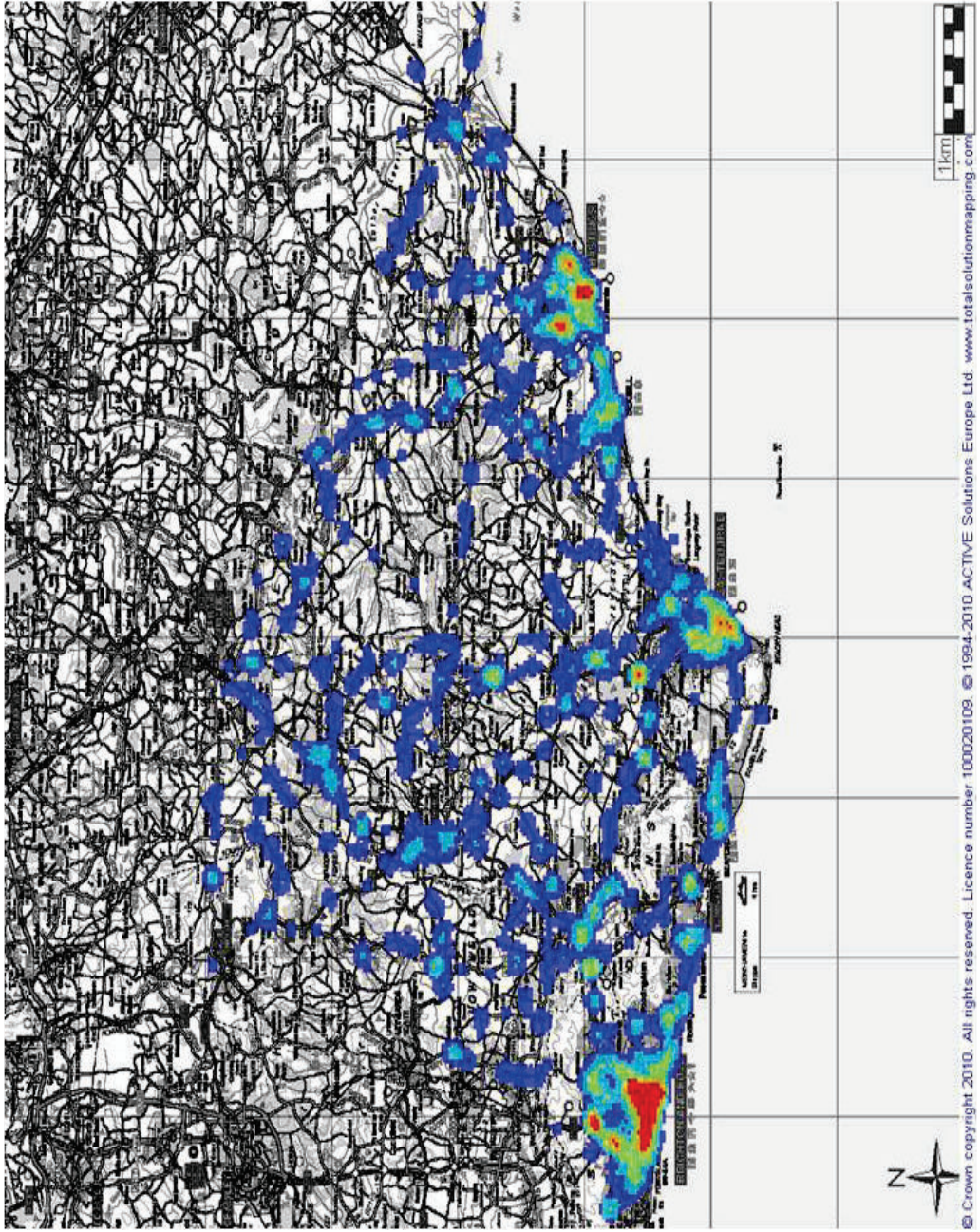
© Crown copyright 2010. All rights reserved. Licence number 100020109. © 1994-2010 ACTIVE Solutions Europe Ltd. www.totalsolutionmapping.com






WSFRS RTC Hotspot Map
Apr 2007 – Mar 2009
(RTC counts per 250m²)



Key	Lower to Upper
Blue	0 to 2.9r
Cyan	3 to 5.9r
Green	6 to 8.9r
Yellow	9 to 11.9r
Red	12 and over

ESFRS RTC Hotspot Map
Apr 2007-2009



Key	Lower	to	Upper
	0	to	2.9r
	3	to	5.9r
	6	to	8.9r
	9	to	11.9r
	12	and	over

3. **STRATEGIC DRIVERS FOR CHANGE INCLUDING BUSINESS CASE OPTIONS TO BE EVALUATED**

3.1. Legislative Background

3.1.1 The key service related statutory responsibilities for Fire & Rescue Authorities are enshrined in the following Acts:

- The Fire & Rescue Services Act 2004 and its supporting national framework
- The Civil Contingencies Act 2004
- The Regulatory Reform (Fire Safety) Order 2005
- The Local Government and Involvement in Public Health Act 2007

3.2 Audit Commission strategic conclusions

3.2.1 In its national conclusions report on Comprehensive Performance Assessment for Fire and Rescue Services, the Audit Commission stated:

“All Fire Services have the potential to improve further. The rate of improvement in County Council Fire Services is slower than that of others. In 2008, no County Council Fire Service was assessed as improving strongly. Of the 14 county council fire services receiving an assessment in 2008, two were assessed as improving adequately and one not improving adequately.”

3.2.2 In a later report, the Audit Commission concluded broadly that larger Combined Fire Authorities appeared to have performed more effectively and provided greater value for money to local council taxpayers than smaller ones due to the economies of scale and scope generated to meet their service functions within the context of ever reducing available financial resources. From the work undertaken to date, this broad conclusion appears to be mirrored locally, but there remains much to resolve before any final decisions can be made.

3.3 Strategic change agenda over last 6 years

3.3.1 The Acts and the previous two National Frameworks supporting the Fire & Rescue Services Act 2004 have collectively and systematically served to create a national Fire and Rescue Service framework which has encouraged the following strategic changes in service delivery objectives, management, leadership and cultural change:

- Modernisation and cultural change;
- Imperatives to improve equality and diversity objectives across employment and service delivery goals – meeting the needs of the more vulnerable in our local communities
- Shift from solely response oriented service delivery towards increased prevention and protection to achieve performance improvement in community safety objectives (reducing property damage, death and injuries from fire and other incidents e.g. road traffic collisions);
- An integrated risk management approach to service planning, performance improvement, resource prioritisation and holistic community outcome focused services;
- Improvements in strategic planned and co-ordinated contingency arrangements on national, regional and local levels to meet the civil emergency needs;
- A shift towards business responsibility and ownership of fire risks across commerce and industry;
- Development of national, regional infrastructures and support arrangements;

- Commitment, understanding and drive towards improvement in service and resource efficiencies through increased client commissioning collaboration (e.g. Firebuy), regional improvement programmes, local resource sharing and partnership arrangements both within FRAs, with other local government partners and stakeholders as well as some more innovative commercial partnership arrangements.

3.3.2 Significant efficiency savings have been accrued by both organisations over the last five years as set out in Table 4 below. Both organisations have met their respective notional national efficiency targets since 2004/05, but the change in the economic fortunes of the country require a substantially higher level of cash savings to be achieved in the medium term over and above these previously achieved levels. Further significant improvements can only be achieved through more dynamic and radical changes to service infrastructures if it is not to be met from council taxpayers' pockets.

Table 4 – Annual Efficiency Savings	West Sussex FRS	East Sussex FRS	Total
	£'000	£'000	£'000
2004/05 to 2006/07	2,580	2,832	5,412
2007/08 to 2009/10	1,199	1,521	2,720
Total	3,779	4,353	8,132

3.3.3 Significant community safety performance improvement has also been achieved in line with the national performance targets over the last ten years

Table 5 – Performance Improvements over last ten years in line with national targets	National Targets	West Sussex FRS	East Sussex FRS
Reduction in accidental fire deaths	20%	- (See note 2)	22%
Reduction in deliberate fires	10%	41%	60%
Reduction in all fire calls	20%	25%	40%
Reduction in primary fires	40%	31%	46%
Reduction in dwelling fires	40%	12%	34%
Reduction in injuries in dwelling fires	20%	68%	43%
Reduction in malicious false alarms	40%	54%	51%

Footnotes to Table 5

1. Both the WSFRS & ESFRS data covers the period from 2000/01 to 2009/10, but in one or two areas the periods may have been different.
2. WSFRS accidental dwelling fires in 2000/01 were nil. So there was a nil baseline to work from.

3.3.4 Significant progress has been made in strategic partnership working by both organisations over a similar period across the combined Sussex areas in addition to FRA related partnerships.

Table 6 – Strategic partnerships forged	West Sussex FRS	East Sussex FRS
Sussex Local Resilience Forum	√	√
Sussex Safer Roads Partnership	√	√

3.4 Strategic change agenda for the medium term

3.4.1 Fire Futures

3.4.1.1 The CLG launched a sector lead review for the Fire & Rescue Service last summer to set a strategic policy direction away from the previous level of CLG prescription on FRS strategic policy direction and more towards a sector developed strategic framework. The work in progress is driven by funding, localism and accountability, and includes a re-think of core functions, and how Fire & Rescue Services worked together.

3.4.1.2 The Review is being completed using four business workstreams as follows:

- a) Efficiency, Effectiveness & Productivity
- a) Role of the FRS (Delivery Models)
- b) Localism & Accountability
- c) National Interest

3.4.1.3 Whilst the outcomes are unknown, the need for fewer Fire Authority structures nationally is gaining greater recognition to place them on a more strategic footing, with improved resilience, reduced bureaucracy and an imperative for continual service and efficiency improvement.

3.4.2 Wider government agenda

3.4.2.1 The Government's Big Society and localism agenda is also taking effect through a decentralised approach to governance and expectations placed upon all local authorities including FRAs to:

- Empower local community engagement and partnership to improve local community services to agreed community priorities
- Focus on meeting local needs within reduced national resourcing constraints and protecting frontline community based services
- Meet national security, civil contingency priorities through improved strategic co-ordination and use of resources.

3.4.2.2 The expected Decentralisation and Localism Bill has just been published seeking to reduce central Government control over local government with a commensurate increase in local engagement and involvement by local communities in their local government arrangements. Clearly, this is in the new era of reduced funding. Future local service priorities will have to be shaped and delivered within these much harsher constraints.

3.4.3 Funding

3.4.3.1 The Formula Grant Settlement announced on 13 December 2010 reduces government funding for both organisations over the medium term. Whilst the East Sussex Fire Authority figures are known, disaggregated Formula Grant figures are awaited from the CLG for West Sussex relating to WSFRS. The WSCC overall formula grant was a reduction of 14% with 9% for the following year.

Table 7 Formula Grant reductions (excluding Supported Capital Expenditure)	West Sussex FRS (to be ascertained from DCLG)		East Sussex FRS		Indicative COMBINED Sussex Fire Authority (to be ascertained from DCLG)	
	£m	Cumulative reduction on base year 2010/11 %	£m	Cumulative reduction on base year 2010/11 %	£m	Cumulative reduction on base year 2010/11 %
2010/11			14.673			
2011/12			13.836	-5.7		
2012/13			13.884	-5.4		

3.4.3.2 Under the current grant arrangements, there is the expectation that the Formula Grant Settlement for years 2013/14 and 2014/15 will further reduce for all FRAs to achieve an overall reduction of 25% over the next four years, although the phasing and impact upon individual FRAs is still unknown. Compounding the uncertainty is the fact that since the grant figures for the first two years of the current funding settlement were announced, the Government has begun a Local Government Resource Review which will look at switching funding from a grant basis to retained local business rates. The outcome of that review will report later in 2010/11 and adds additional complexity to the financial modelling for this Business Case. What is clear is that Council Tax increases will be tightly controlled under the Government's latest decentralisation agenda and unless cost rationalisations of central services are achieved, the only option will be for radical and unpalatable cuts to be made across all community safety services provided within Sussex to the detriment of the hard earned community safety improvements achieved in recent years.

- 3.4.3.3 Both organisations have identified the need to make savings over the medium term to broadly mirror the predicted reductions in Formula Grant and to help meet the hardened economic climate being faced for the foreseeable future. For ESFRS, the 2011/12 Medium Term Plan has now been agreed which includes a programme of savings agreed for implementation in 2011/12 and 2012/13 and a further package of savings approved in principle that might be required in 2013/14 and future years. It is possible that some of these savings may not be required if savings from this review come to fruition. However, there remains a potential £1.3m per annum shortfall to be identified by East Sussex Fire Authority from 2015/16 onwards based upon current medium term plan projections. Under the current WSCC medium term plan, WSFRS must achieve minimum savings of £2.5m per annum from 1.4.2013. It is possible that any agreed collaboration savings will contribute to this requirement, but as the information presented later in this Business Case suggests, collaboration is unlikely to deliver £5m in total across both organisations to give a WSFRS share of £2.5m. Currently, combined savings arising from collaboration are predicted at approximately £2m per annum, equating to savings of £1m to each organisation. Consequently, WSFRS would have to fund any savings gap from elsewhere in its budget with a commensurate risk of service reductions.
- 3.4.3.4 Conversely, under a merger, the savings burden would actually transfer to the new CFA and would alter in relation to the actual savings required. The interim Business Case indicates that savings from a possible merger will be more substantial than from collaboration. These would feed into the newly created merged CFA budget along with its new formula grant calculations which would also have to be established. Formula grant reductions over the next four years for existing CFAs are expected to be in the order of 25% compared to the 2010/11 grant base figures (20% reductions being expected from 2013/14 onwards for CFAs). The 2010/11 combined formula grant for both organisations is in the order of £23m, so a predicted grant reduction of around £5.8m seems a reasonable working presumption. More immediate savings arising from a possible merger are predicted at around £3.8m per annum, with more still to identify, in addition to the approved savings already being progressed within ESFRS to meet its predicted share of the formula grant reductions (less impacts of potential double counting on a few posts). Further savings would also be expected to be achieved after a period of implementation as set out in Section 5.5.6 of the main report.
- 3.4.3.5 It is possible that transitional funding support from the Government may help to manage the more immediate budget pressures in at least the first two to three years in order to help a new CFA to establish itself should merger be jointly agreed as a preferred way forward.
- 3.4.4 Regional agenda
- 3.4.4.1 The more formalised Regional Management Board arrangements are expected to cease. However, the South East FRAs have collaborated successfully for several years under the previous Chairs and Chiefs forum and it is expected that these arrangements will be reverted to in due course.

- 3.4.4.2 Both organisations have participated actively in the regional business plans and will continue to do so. However, differences in the relative sizes of FRAs within the South East have made it more problematic for areas such as West Sussex and East Sussex that do not have the staffing economies of scale and scope compared to Kent and Hampshire which are organisations serving approximately double the local populations of West Sussex and East Sussex.
- 3.4.4.3 Work arising from the Regional Control Project has led to a regional approach to operational working and, as such, synergies right across the region are beginning to be implemented so that inter-service operational working is more efficient and effective for the organisations, staff and service users alike.
- 3.4.4.4 The Government has closed the RCC project. FRAs are now considering alternative options. In terms of collaboration between West and East Sussex Fire & Rescue Services, the demise of the RCC at least removes one area of operational uncertainty and provides an opportunity to consider a joint pan Sussex control and to capitalise on some of the interoperability benefits that work connected with the RCC project facilitated.
- 3.4.5 Sussex Improvement Agenda
- 3.4.5.1 All local authorities within Sussex have been collaborating with each other to generate improvements in procurement, strategic intelligence, shared services and consultation supported by the South East Centre of Excellence (SECE). The initiatives will continue, although the SECE pump priming funding has now tapered away. Both organisations actively participate with the continuing initiatives.
- 3.4.5.2 Other pan-Sussex arrangements are in place including the Sussex Resilience Forum, the Sussex Safer Roads Partnership. Whilst the existing pan-Sussex organisations are able to be represented by one Principal Officer, both FRAs have to send separate representations and the weight of representation and voice would be much improved with one organisation.
- 3.4.6 Collaborative options between West Sussex Fire and Rescue Service and East Sussex Fire and Rescue Service
- 3.4.6.1 There are a number of successful examples of increased collaboration by both organisations over recent years, and there remain significant further opportunities to enhance collaboration in the short to medium term to yield benefits to Service Delivery, organisational resilience, cost effectiveness and overall benefit to local people, businesses and council taxpayers alike.
- 3.4.6.2 However, it is also probable that the continued existence of different governance arrangements, organisational inertia and any remaining differences in service and supply arrangements may reduce the full scope of opportunities for significant in-service rationalisation. A potential merger would be more likely to remove cultural, structural and perception barriers and enable a step change in driving through efficiencies and Service improvements, but there remain a number of obstacles which must be carefully considered and overcome before determining whether this can be jointly agreed as the optimal outcome in the medium term.

- 3.4.6.3 An overall summary of the relative advantages and disadvantages of the different options is provided in the Executive Summary at the start of this document. Meanwhile, two broad options present themselves for initial evaluation compared with continued Informal Collaboration as the Status Quo:
- Formal collaboration.
 - Combination (Merger).
- 3.4.6.4 This Business Case explores each option to provide a broad, high level analysis of each option in order to facilitate discussion and engagement.
- 3.4.7 Option 1 Base position: Continued Informal Collaboration (Status Quo) – status quo.
- 3.4.7.1 Both services, either regionally or sub-regionally/in joint partnership, have a record of informal collaboration. This has taken place within training, (firefighter recruitment courses and incident command training) and arson investigation. These have yielded some business efficiencies, but the resultant financial savings have been more modest.
- 3.4.7.2 There has also been collaboration within the procurement arena which, through joint and sub-regional approaches have enabled economies of scale and significant savings to be made. Examples include Respiratory Protective Equipment (RPE), Personal Protective Equipment (PPE) and uniform wear.
- 3.4.7.3 Whilst further informal collaboration would have continued prior to this review, the scope for extracting further significant financial savings has already been determined to be too low in terms of particular functional areas as the obvious candidates have already been addressed. What was clear from the outset of this review was that informal collaboration would not have generated the savings required to meet the financial challenges (set out in section 3.4.3) that both Services face over the next 5 years and more fundamental collaboration must be considered in terms of issues such as joint team working; one organisation taking a lead responsibility for particular functions or services; and other wider collaboration actions.
- 3.4.7.4 As such, it was determined that continued information collaboration should only be considered as a baseline against which the other options should be appraised.
- 3.4.8 Option 2a Enhanced Collaboration.
- 3.4.8.1 Shared support functions are those that enable functions presently carried out in both Services to be delivered by one or other Service on behalf of both entities in order to provide support to community services delivered to local communities. The merit of this option is in reducing duplication and improving capacity. There are some candidates for consideration within this option. Functions that might be considered include a complete merger of learning and development support; human resources and administrative functions; shared corporate and operational policy planning and development, performance management, community risk management and H&S functions.
- 3.4.8.2 Operationally, other shared functions are likely to involve the active consideration of a shared Principal Officer on operational duties across both the areas (currently informal), shared response officers, investigations and shared operational assets.

- 3.4.8.3 The most significant service which can now take place following the Minister's determination of the Regional Control Centre Project is to progress with a shared mobilising and communications centre. Whilst West Sussex are already able to manage ESFRS calls for business continuity purposes, and ESFRS is able to mobilise West Sussex fire appliances, there is little doubt that sustaining two separate mobilising and communications centres is questionable from an operational and financial perspective.
- 3.4.8.4 Whilst some significant organisational rationalisation and enhanced strategic capacity benefits are expected from such collaborative initiatives, again the quantum involved will still be unlikely to meet the financial challenges both Services face in full, based upon current arrangements (See paragraphs 3.4.3.3. to 3.4.3.5 above).
- 3.4.8.5 Organisational structural differences would have to be overcome even without merger. For example, WSF&RS is supported by the WSCC HR function and has only a very small number of staff providing immediate Service support. Shared operational facilities also call into question issues of governance, accountability, liability and authority. Separate constitutional and governance differences might still impact upon the effective delivery of jointly provided services although it is considered that a cultural shift towards strategic commissioning and jointly defined and specified functional service delivery might resolve potential problems. It is likely that strategic issues such as budgetary provision, area resource allocation and resource prioritisation would remain problematic with some functions.
- 3.4.8.6 As such, and prior to the Business Case being concluded, it is considered that increased collaboration will achieve considerable financial savings to both organisations for permanent benefit, but the structural separation that would continue to exist would still prevent the achievement of the scale of financial savings required by both governing bodies; cultural differences would remain and constitutional and governance arrangements might prove problematic. Issues such as Equal Pay between the two organisations would also need to be considered along with joint representative body arrangements.
- 3.4.9 Option 3 Combination (Merger).
- 3.4.9.1 A combination option would entail a merger of West Sussex Fire & Rescue Service with East Sussex Fire and Rescue Service under a new combined fire authority covering West Sussex, East Sussex and the City. Its actual name would have to be determined.
- 3.4.9.2 From the WSCC perspective, this would mean losing direct control over WSFRS. That is not to say that political influence would be lost, as any new Authority would comprise 50% of WSCC members. There would also be wider democratic representation overall with up to 24 members providing political control and direction in the new governance arrangements. It would not be impossible for both Services to retain branding linked to their constituent authorities if that was felt necessary.
- 3.4.9.3 The major advantage of this option is that it would be a legally constituted and separate entity with its sole purpose to discharge its Fire and Rescue Service statutory duties for the local citizens, businesses and council taxpayers of West Sussex, East Sussex and the City. Local democratic governance, accountability and representation, local consultation and engagement would all be more transparent.

- 3.4.9.4 The clear governance arrangements would derive from the nominated and democratically elected members from all three constituent authorities WSCC, ESCC and The City of Brighton & Hove being called to serve upon the Fire Authority in proportion to population.
- 3.4.9.5 Operationally, the senior management team would benefit from clear lines of governance, singular strategic democratic leadership with the resultant advantages across all strategic management functions; including accountability, officer authority and cohesive and holistic strategic service planning and resource management processes within which to deliver a strategically managed, yet essentially locally delivered, Service.
- 3.4.9.6 This option would also deliver all the efficiencies outlined in the previous two options. In addition, this option would provide the flexibilities, freedoms and least level of bureaucracy to enable a new CFA to meet the financial and operational challenges while protecting front-line services. Any further savings after a merger would accrue to the new Authority, as would capital and property maintenance, and costs of any assets transferred to the new Authority. However, the comments in the Executive Summary remain relevant here. The additional cost efficiencies, long term capital investment rationalisations etc which could be more likely to be generated through a merger would impact upon precept levels across both areas. As such, there would be a saving passed on to all council taxpayers and WSCC would benefit directly from these savings as it would not be required to fund these future investments. In aggregate terms, the WSCC precept would be likely to be under less pressure than it might have been for the costs of a sustainable future Service. However, it is also fully recognised that economies of scope would be reduced, but proportionately at low scale in relation to the total WSCC budget.
- 3.4.9.7 Finally, a merger would be more likely to facilitate the removal of cultural, structural and perception barriers, and enable a step change in driving through more efficiency to be identified in the Business Case, as well as Service improvements at a faster rate. Fundamentally, it is the only option to be considered capable of delivering:
- the scale of financial savings required over the medium term by both organisations
 - delivering improved strategic organisational capacity in order to meet local needs and risks with the scale of permanent reductions in overall funding
 - an optimal solution to protect, as far as possible, against direct reductions in local services to local communities to meet funding shortfalls
 - enhanced opportunities for longer term service development, strategic partnership working and bringing added value to the overall local government infrastructure across Sussex.
- 3.4.9.8 In summary, a merger provides the optimum governance arrangements to facilitate the delivery of an efficient and effective Fire & Rescue Service able to meet the challenges of the future, but the likely financial benefits are unknown at this stage.

3.4.10 Critical Success Factors.

3.4.10.1 Set out below, in matrix form in Table 8, are an indicative range of factors for consideration under the various options. In summary, the identified drivers for change that have prompted consideration of a combination include a need to improve all of the following:

Key

- * modest success, but restricted in scope due to diseconomies of scale and scope
- ** financial advantages to be achieved from support service rationalisations
- *** further advantages to be gained in terms of community service improvements and effectiveness savings
- **** further advantages to be gained from merged strategic management arrangements
- ***** enhanced advantages to be gained due to synergies being achieved through one a single governance and democratic structure, holistic service planning and resource management prioritisation linked to wider area community risk management

A five star system has been used due to the degree of differences involved.

Table 8 – Initial assessment of differential impacts of enhanced collaboration/merger on critical success factors	Option 1 Status Quo with current level of collaboration initiatives	Option 2a Increased collaboration between WSFRS and ESFRS	Option 3 Potential Future Merger to create a Sussex CFA
Strategic voice across Sussex in partnership e.g. Sussex Police, Sussex & Surrey Probation Trust, Sussex Safer Road Partnership	*	**	*****
Strategic capacity within shared strategic resources	*	**	*****
Improved operational resilience	*	***	***
Improved operational ways of working and support needs	*	***	***
Reduced management structures to improve cost effectiveness	*	**	*****
Improved opportunities to gain further improvements in organisational performance .e.g. community fire safety work	*	***	***
Operational performance, e.g. shared specialist resources	*	***	***
Support functions rationalised	*	**	*****
Efficiency, resourcing & achieving budgetary savings to meet government grant reductions and minimise front line service cuts	*	***	*****
Organisational resilience e.g. staff absences/major incidents	*	***	*****
Opportunity to enhance IT infrastructure across area	*	**	*****
Opportunities for service rationalisations within the A23 Corridor	*	***	*****

3.4.10.2 In relation to Table 8, the following success factors could not be achieved without full a merger taking place:

Table 9 – Key limitations which would not be achieved without a full merger	Limitations of collaboration
Strategic voice across Sussex in partnerships with Sussex Police, Sussex and Surrey Probation Trust, Sussex Safer Road Partnership etc	All partnerships would still need to continue to deal with two separate organisations, ensure adequate representation, consultation and strategic arrangements would still need to continue to be duplicated along with action plans and related planning, management and monitoring arrangements.
Strategic capacity within shared strategic resources towards one enlarged organisation	The full extent of strategic capacity offered by one governing body, streamlined strategic decision making, asset planning, IRMP management etc could not be easily achieved.

Table 9 – Key limitations which would not be achieved without a full merger	Limitations of collaboration
Improved operational resilience	This could largely be achieved with or without merged governance arrangements but the different arrangements would have to be respected and supported.
Improved operational ways of working and support needs	This could largely be achieved with or without merged governance arrangements, but the different arrangements would have to be respected.
Reduced management structures to improve cost effectiveness	It is considered likely that a number of middle management could be rationalised under shared working arrangements
Improved opportunities to gain further improvements in organisational performance e.g. Community Fire Safety work	This could largely be achieved with or without merged governance arrangements but the different arrangements would have to be respected.
Operational performance, such as shared specialist operational resources across a wider area	This could largely be achieved with or without merged governance arrangements but the different arrangements would have to be respected and supported.
Support functions rationalised	Some may be unlikely to be rationalised to the extent offered and sustained by a full merger.
Efficiency, resourcing and funding, such as achieving budgetary savings to meet government grant reductions and minimise frontline service cuts	A merger would be most likely to achieve long term savings of sufficient capacity to meet the predicted government reductions on a sustained basis with minimal effects on services to local communities
Organisational resilience, such as ability to handle staff absence and respond to major incidents	Again, improvements could be achieved with closer working, but strategic planning and management systems would continue to be separate and effectiveness improvements more limited.
Opportunity to enhance IT infrastructure across area	Unlikely to be achieved without merger – a joint Mobilising and Command Centre would assist.
Opportunities to consider service rationalisations within the A23 Corridor	Unlikely to ever be achieved without a full merger in the long term.

3.4.10.3 All of the above could continue to proceed with fire stations retaining the local community connections, but supported more cost-effectively.

3.4.10.4 It is clear from even this initial assessment that much can be achieved from increased collaboration and these issues will be further explored in the Business Case. It is also clear from this initial analysis that while some benefits undoubtedly arise from closer collaboration, the indicators are that maximised benefits, including potential for rationalisation and generation of efficiencies, are best delivered via a merger option, but this cannot be fully assessed until the Business Case has been completed.

- 3.4.10.5 In order fully to examine a merger option, a number of strategic issues will need consideration as part of the Business Case analysis. Those key areas are set out in section 4 below. Meanwhile, Appendix 3 makes an assessment against the previous local government reorganisation assessment criteria for governance arrangements. These national criteria were established by the Local Government Commission in the early 1990s and used by all affected local government organisations in order to be able to make objective assessments and value judgements on the relative merits or otherwise of different merger /separation options involving the creation of unitary authorities and the creation of Combined Fire Authorities as consequences of such outcomes in particular areas.
- 3.4.10.6 They remain relevant today, but it should be remembered they were specifically geared to establishing which areas were suited to being created into unitary authorities rather than 1974 structural status quo arrangements continuing to prevail. As such, the democratic aspects feature strongly. It has been considered helpful to revisit these criteria to consider their merits or otherwise prior to preparing the proposed Business Case and other criteria can be added or amendments made to them at the detailed Business Case stage. If the final Business Case is to receive DCLG approval, it is inevitable that these issues will also need to be covered, although the priority impact /risk assessments may be weighted more to one criterion than another in this particular case.
- 3.4.10.7 The overall results are set out in the Table 10 below. A five star system has been used with the same criteria to the previous comparison matrix.

Key

- * modest success, but restricted in scope due to diseconomies of scale and scope
- ** financial advantages to be achieved from support service rationalisations
- *** further advantages to be gained in terms of community service improvements and effectiveness savings
- **** further advantages to be gained from merged strategic management arrangements
- ***** enhanced advantages to be gained due to synergies being achieved through one single governance and democratic structure, holistic service planning and resource management prioritisation linked to wider area community risk management

Table 10 Initial assessment of differential impact on collaboration /merger compared with status quo	Option 1 Status Quo with current level of collaboration initiatives	Option 2a Increased collaboration between WSFRS and ESFRS	Option 3 Potential Future Merger to create a Sussex CFA
COMMUNITY IDENTITY			
Communities: the extent to which the authority identifies with and reflects the socio-economic characteristics and natural communities of the area.	*	**	*****
Sense of Place/Belonging: the extent to which the authority would engender a sense of belonging.	*	*	*****
Shared Interest: The extent to which the proposed structure focuses on the common interests and primary needs of the local communities.	*	***	*****
DEMOCRACY/ACCOUNTABILITY			
Representation: The extent to which the organisation can adequately represent the variety of interests that may exist within the area and its ability to represent these interests at regional, national, European and other international events.	*	*	*****
Participation: The extent to which the organisation can ensure local communities have an effective input into local decision making.	*	**	*****
Partnership: The extent to which the authority is able to work effectively with other groups or agencies and with local town and parish councils.	*	***	*****
Accountability: The extent to which the authority could be held directly and clearly accountable for the services it provides, the expenditure it incurs and the taxes it charges.	*	*	*****
Joint arrangements: The extent to which the authority can avoid the creation of joint arrangements as a consequence of the main reform proposals.	*	*	*****

Table 10 (cont) Initial assessment of differential impact on collaboration /merger compared with status quo	Option 1 Status Quo with current level of collaboration initiatives	Option 2a Increased collaboration between WSFRS and ESFRS	Option 3 Potential Future Merger to create a Sussex CFA
CLARITY			
Clarity: the extent to which public understanding and perception is improved by the structure.	*	*	*****
ACCESSIBILITY & RESPONSIVENESS			
Recognition: The extent to which the organisation can recognise and respond to the wishes and preferences of local people, interest groups and local communities.	*	***	*****
Communication: The extent to which the organisation can ensure two way communication with local communities.	*	***	*****
STRATEGIC CAPABILITY			
Co-ordination: the extent to which the authority could plan strategically the full range of services in an efficient and effect manner.	*	***	*****
Strategic Capability: the extent to which the authority can balance the needs and requirements of the community as a whole.	*	**	*****
Influence: the extent to which the authority has sufficient stature and networking capability in influencing external agencies whether these be at local, regional, national, European or international level.	*	*	*****
Flexibility: The extent to which the organisation can plan and respond to changing needs of the community, whether they be economic, social or environmental, in a timely, efficient and effective manner.	*	**	*****
Self-sufficiency: The extent to which the organisation will be self sufficient without the need to create (further) joint arrangements.	*	**	*****

Table 10 (cont) Initial assessment of differential impact on collaboration /merger compared with status quo	Option 1 Status Quo with current level of collaboration initiatives	Option 2a Increased collaboration between WSFRS and ESFRS	Option 3 Potential Future Merger to create a Sussex CFA
COSTS/ FINANCIAL VIABILITY			
Transition: The extent to which costs may arise in the creation of any new structure.	*	***	*
Costs: The extent to which the running costs of any new structure compare favourably with existing running costs.	*	**	*****
Sensitivity: The extent to which the costs of the structure represent a robust option with regard to annual charges to the taxpayer.	*	**	*****
Financial Base: The extent to which the financial base of the structure can adequately accommodate the dynamic needs of the community served.	*	**	*****
SERVICES			
Accessibility: The extent to which the structure can provide accessible services to the public.	*	***	*****
Coverage: The extent to which the authority could provide the full range of services and functions including specialist services.	*	***	*****
Co-ordination: The extent to which the organisation can recognise and promote linkages between related services.	*	**	*****
Provision: The extent to which the organisation is able to deliver services in a wide variety of ways, efficiently and effectively.	*	**	*****
Capability: The extent to which the organisation could secure necessary resources and staff	*	***	****
Competitiveness: (Related to CCT - now ceased - but new criteria of Collaboration could replace it: e.g. Extent to which the organisation can operate in partnership with others to secure cost effective community outcomes.)	*	**	*****
Quality: The extent to which the organisation could provide and maintain a high quality service provision to the community.	*	**	*****

3.4.10.8 It is clear from the initial analysis in this section of the paper that while some benefits undoubtedly arise from closer collaboration, the indicators are that maximised benefits, including potential for rationalisation and generation of efficiencies, are best delivered via a merger option. In order fully to examine a merger option, a number of strategic issues will need consideration as part of the Business Case analysis. The key areas are set out in Section 4 below.

4. **STRATEGIC ISSUES INVOLVED WITH A COMBINATION FOR CONSIDERATION AS PART OF THE BUSINESS CASE**

4.1. Introduction

4.1.1. Prior to the preparation of a full Business Case in order to assess collaboration in more detail, available national guidance advises that the feasibility of each collaboration/combination option is assessed. West Sussex County Council and East Sussex Fire Authority have asked that a proposal be put forward regarding the future and progressive collaboration between West and East Sussex Fire and Rescue Services towards a possible combination for a Combined Fire Authority covering West Sussex, East Sussex and the City, in due course.

4.1.2 Although the table below is by no means comprehensive, it does identify initial conclusions in relation to the key factors involved in a potential merger on a number of key areas.

Table 11: Feasibility checklist	Definitely not feasible	Possibly not feasible	Uncertain	Feasible	Very feasible
	-2	-1	0	1	2
Impact on council tax (precept)			0		
Strategic fit of:					
Operational performance					2
Risk profiles					2
Working practices					2
Geographical alignment					2
Culture				1	
Political balance of authorities					2
FRA & senior management support for option				1	
Meeting implementation costs of option				1	
Expectations of medium term service savings				1	

These would all need to be proven in supporting appendices – but initial research completed suggests the above scores.

4.1.3 The key issues that have been identified for consideration, assessment are identified in Table 12 below for a way forward to be resolved for inclusion within the final Business Case.

Table 12 Key and Critical Business Case Criteria	SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY
1. Governance	
Constitutional make up	A Combined Fire Authority for the area would have nominated representatives from West and East Sussex County Councils and the City in the ratio of 3/6; 2/6 and 1/6 respectively. Thus, a CFA would most likely comprise 24 or 18 members, but it is possible to have an Authority with only 12 members, but this may be considered to have too small a constitutional representation to cover a population in excess of 1.5 million people. This latter option is unlikely to be accepted by either the City Council or the East Sussex Fire Authority in terms of democratic deficit.
Political Make Up	<p>The DCLG guidance states</p> <p>“Consideration should be awarded to the current political profiles of each FRA or county council. In particular, to what extent is the political representation on each FRA or county council similar, for example a similar mix of Conservative, Liberal, Labour, Green Party or Independent elected members? Political representation does not have to be the same or even similar. However, this may be a consideration for FRA elected members and so deserves consideration at this stage and may be an issue for early engagement between FRAs and county councils.”</p> <p>This could not be assessed until the point of merger, but under the current political profiling of the constituent authorities it would be conservative controlled as are all the current constituent authorities.</p>
Officer appointments to the new CFA	A balance needs to be considered in relation to giving all constituent authorities an opportunity to influence and participate in the activities of the service under a merged CFA. With the City Council currently providing the Monitoring Officer, and ESCC providing the CFA with the Treasurer and Section 151 Officer role, any change to current arrangements would need to be considered prior to merger.

Table 12 Key and Critical Business Case Criteria (cont)	SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY
2. Strategic Direction and timescales	
Initial shared strategic vision	Both FRAs have similar strategic visions, strategic aims and objectives that reflect the national legislative framework and aim to improve community safety in the widest context; improve equality and diversity and provided cost effective services for the local council taxpayer.
Timescales	The DCLG guidance for a merged organisation prescribes a two year timetable for dealing with the required preparations following the Business Case. As such a merger date of 1 April 2013 is feasible and supports the savings targets of the two current authorities. A merger date of 1 April 2012 would be extremely tight and the required level of consideration of consultation outcomes may not have taken place prior to the required legislative processes commencing as such criticism of it being actioned regardless of wider views would not bode well. A date of 1 April 2014 would be unlikely to achieve the senior management rationalisations at a sufficiently early timescale to meet predicted medium term funding deficits for both organisations.
Shared mobilising and RCC arrangements	This was always predicated on the outcome of the DCLG's contract negotiations and Ministerial decision. Now that the demise of the RCC project has been declared arising from contractual compliancy issues, it is already being concluded that two separate mobilising centres serving Sussex would not be cost-effective and a rationalisation into one Centre would be likely to be pursued regardless of any merger outcome and as such seen as a positive outcome of increased collaboration. Again, this is a matter for strategic Member decision, but the financial savings which would accrue are the most significant to be achieved under Option 2 increased collaboration.

Table 12 Key and Critical Business Case Criteria (cont)	SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY
Business as usual	<p>Whilst both organisations must continue to plan for sustainable services in the long term, it is expected that a collaboration work plan will need to be agreed to derive service improvements and rationalisations over the short to medium term that would assist any future merger rather than frustrate it. As such savings plans need to be re-evaluated in relation to any disbenefits to merger, capital programmes need to be considered for synergies, peak profiles of investment avoided in any one year, opportunities for sharing assets, support services etc. taken and current contracts considered in chronological order of renewal to allow for joint contract opportunities to be taken up prior to merger. A corporate risk assessment is underway to assess any contractual commitments that would require to be amended arising from any future merger e.g. IT outsourcing by WSCC and any replacement financial management systems by ESCC to which ESFRS is tied or similar for WSFRS. Relevant assets would also have to be formally transferred.</p>
3. Critical funding issues	
Capital costs of past WSCC investments	<p>Capital debt for WSFRS is currently estimated at £11m. (to be confirmed by WSCC Treasurers) ESFA's current debt is also £11m.</p> <p>When the ESFA was set up in 1997, it went in Debt Free, with the residual debt retained within the two constituent authorities.</p> <p>Devon and Somerset, the only recent example of a voluntary merger, agreed to transfer debt of Somerset accrued from 1998 i.e. the same date as when the Devon CFA was created.</p> <p>It is a matter for strategic Member decision, but it will affect the calculations for a WSFRS notional budget and consequential impacts upon council tax equalisation.</p>

<p>Table 12 Key and Critical Business Case Criteria (cont)</p>	<p>SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY</p>
<p>Capital costs of future needs</p>	<p>The East Sussex Fire Authority Capital Programme is built on the principles of identifying the actual levels of investment required for property, fleet and operational equipment requirements and possible IT.</p> <p>The ESFA programme is supported by full property surveys, environmental assessments and operational needs determined via recent IRMPs.</p> <p>The WSCC Capital Programme is determined according to the relative priority needs of all of its services and as such does not reflect the sustainable needs for one particular service i.e. WSFRS.</p> <p>A projection of the capital costs of all asset investments for the new CFA must be assessed to ensure property standards are broadly comparable, vehicle lifing policies and future commitments are also broadly comparable as well as any other expected commitments such as IT investments, equality and diversity requirements etc.</p> <p>Work is now being commissioned to identify future investment requirements on a comparable basis for both property and IT under the due diligence tests, subject to final approval of the review remit by the Steering Group.</p> <p>Work is also taking place to feed into the full Business Case as rationalisation of future investment costs is a realisable financial benefit that will help to achieve target savings in the short term but - more importantly – may save additional long term capital investment demands.</p> <p>As such the full Business Case should identify significant savings arising from the revenue impacts of rationalising fleet capital infrastructure across the two services to contribute towards any necessary target savings. Such issues as reducing the fleet of spare appliances, rationalising specials across Sussex and savings on light fleet etc. will all contribute to the savings to be achieved from collaboration. More significant capital infrastructure savings are likely to be achieved on merger, but it is possible that these might be beyond the three to four year time frame and must be set in the context of a potential additional requirement for property investment over the medium term.</p>

Table 12 Key and Critical Business Case Criteria (cont)	SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY
3. Critical funding issues (cont.)	
Formula Grant outcomes	<p>To be added – AWAITING DCLG ADVICE ON DISAGGREGATED WSFRS FORMULA GRANT ELEMENTS FOR YEARS 2011/12 TO 2014/15. If combination were to be approved, the FRS element for WSFRS would transfer to the new CFA along with the existing FRS element of block grant. In addition, a disaggregated element of past supported capital expenditure element of the WSCC grant should also transfer as well as consideration of the impacts of floor dampening, but disaggregation is complex. This may also have to be determined by negotiation – a number of factors would be involved – mainly relating to:</p> <ul style="list-style-type: none"> • Expectations of WSCC on savings accruing on merger - all costs as well as the benefits of predicted future savings would transfer across. WSCC would also need to take into consideration the impact of transfer of all future liabilities for capital investments for WSFRS needs which would transfer to a new CFA. A property review is underway to seek to determine the scale of these costs as part of the required due diligence tests to mirror those already produced and included within the ESFRS Medium Term plan. • The proportion of any estimated WSFRS debt transferred to the new FRA. This would have to be by negotiation as previously created CFAs started debt free. There are also technical issues involved as local authorities no longer align their borrowing to specific asset investments so another set of assumptions or detailed analysis and disaggregation using past capital spend would have to be made. <p>The 2010/11 Formula Grant for ESFA was £14.673m which includes an element for past supported capital expenditure and is after floor dampening. The 2010/11 Formula Grant for WSFRS was £8.242m excluding the element for supported capital expenditure which is contained in the core Formula Grant to WSCC and unknown. The maximum Formula Grant attributable to WSFRS was £10.598m prior to the impact of dampening. As with any merger into a CFA, the actual amount of grant to be transferred on merger would be a matter of negotiation between the two authorities as supported by any guidance and analysis provided by the DCLG. Clearly, it is not the 2010/11 position that is all critical, but what the Grant may look like on merger in 2013/14 and beyond. With 25% backloaded reductions in grant, any transfer of grant will be significantly reduced in size, but how much is unknown – but materially it will impact upon the council tax equalisation which is dealt with in the next section. In the end, whilst disaggregation of debt, formula grant etc. may provide a firmer basis for assessment, perhaps the only way the differing financial impacts can be simply judged is by considering council tax precepts before and after merger with agreed notional figures until an equitable balance is achieved for council taxpayer precept equalisation. This is likely to require strategic Member negotiation as supported by appropriate financial information provided by the Authorities’ respective Treasurers, and also taking into account the expected target savings required. It is the impact upon council tax precepts that is the bottom line including how close the new CFA precept is to the notional WSFRS precept and the current precept of ESFA as at point of merger i.e. 2013/14.</p>

Table 12 Key and Critical Business Case Criteria (cont)	SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY
Council Tax equalisation	A number of the financial factors will impact upon this balancing equation.
<p>The DCLG guidance on this issue is set out below: “Are the council tax (or equivalent) levels close enough for harmonisation of council tax to be acceptable to residents and elected members in each FRA area?”</p> <p>This consideration is likely to be pivotal and second only to the political support for Combination by respective FRAs.</p> <p>It may be necessary to provide a provisional illustration of the likely effect on council tax of a combined service at this stage. As the calculation may be protracted in the case of county council FRS, the full assessment may be completed as part of the full Business Case. A provisional assessment may be produced with relatively wide margins of error as part of an initial feasibility assessment.</p> <p>An estimate is required of how much the cost per property would change if the FRAs combined and their notional council tax was harmonised. For example:</p> <ul style="list-style-type: none"> • The cost would increase by £0.50 in one FRA and fall by £0.20 in another FRA; • The cost would rise by 0.1% of the current Band D council tax in one FRA and fall by 0.05% in another FRA. <p>It is recommended that the change in cost is estimated in absolute terms.</p> <p>There are no guidelines on what level of harmonisation is feasible. The acceptability of a change in council tax is a matter of judgement for FRAs, other council members and the electorate (who might be consulted on the precept later in the process). However, as a rule of thumb:</p> <ul style="list-style-type: none"> • Changing council tax levels (band D for example) by more than £10 per property may be challenged by elected members and members of the public; • Changing council tax levels by a few pounds per property (a few percent in the cost of the FRAs, or about 0.01% to 0.2% of overall council tax) is more likely to be accepted, if there are recognised and quantifiable benefits to a Combination. <p>It is recommended that an estimate is made as part of the preliminary options appraisal and discussed with FRA members. As the notional FRA cost is uncertain, it is recommended that an upper and lower estimate is derived along with a best estimate.”</p>	
<p>Taking this DCLG guidance, and applying it to the 2010/11 Budget figures for both organisations as well as making some reasonable assumptions for the adjustments necessary to model council tax levels, it appears that harmonisation of council tax is feasible. Similar modelling for 2011/12 and 2012/13 where more information is available on Formula Grant impacts and other cost changes being estimated is also underway. However, 2013/14 is the crucial year for consideration. We continue to press the DCLG to provide advice on how we can model council tax harmonisation issues bearing in mind we have no information on the proposed levels of Formula Grant in 2013/14 and 2014/15 other than the generic advice on the expected reductions in national grant over the medium term. Whether harmonisation can be achieved will be the product of improved information on grant levels, outcomes of negotiations on the various factors involved and any changes to the approved medium term budgets of both organisations which may occur.</p>	

Table 12 Key and Critical Business Case Criteria (CONT)	SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY
Transfer of element of WSCC Balances equivalent to the proportion attributable to WSFRS	<p>On combination, the relevant constituent authorities who governed the Service previously make an assessment of a relevant proportion of their total Balances which equated to the FRS risks, or earmarked provisions to transfer into the new FRA. This should not be considered as a dowry but a legitimate share of Balances which have been built up to meet the relevant business continuity needs, cash flow profiles throughout the year or other contingent liabilities. It is again a matter of negotiation as to what proportion is transferred.</p> <p>Previous guidance from the Audit Commission when ESFA was established was that the Balances should be approximately 5% of gross spend. With a new CFA expected to have a combined budget in excess of £75m (2010/11 price base), a combined balance of £3.75m should be regarded as a minimum. When ESFA was first established, both constituent authorities provided set up Balances.</p> <p>Since that time, with the experiences of the 2000 flooding, dealing with the 2002/03 industrial action, and recovery from the Marlie Farm incident, the Fire Authority has identified target minimum Balances of £5m to cover its key financial risks. Currently, they have achieved £3.9m after transfer of unspent Balances at year end of £1m into a Capital Reserve to reduce the impact of Borrowing.</p> <p>On this basis, it might be expected that a Balance on transfer to a new CFA for WSCC should be between 3% and 5% plus any earmarked reserves for specific Service issues. (3% is the WSCC current level of Balances which, if agreed, would then be calculated as a share of the total in proportion to WSFRS spend and which may also be complemented by any other agreed earmarked reserves for Service specific issues prevailing.)</p> <p>The final amount will be a matter for negotiation but it will need to be equitable, proportionate to the risks and liabilities transferring and provide a sustainable opening position for the new CFA.</p>
Asset Valuation /usage and future issues	<p>This would have to be done independently if there are any WSFRS assets not currently valued separately. Also to be determined would be how to deal with any asset sales taking place over the cutover date to a new CFA over and above those already intended within the WSCC medium term plan. As such, any capital receipts from current sales of the 3 retained stations in West Sussex following the recent Fire Redesign IRMP will be retained by WSCC as these are expected to have been completed prior to any potential merger.</p>

Table 12 Key and Critical Business Case Criteria (CONT)	SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY
Scale of senior managerial rationalisations versus ability to create strategic capacity	<p>Whilst it is to be expected that the senior management teams would be reduced to eradicate duplication in roles and functional management would also be expected to be rationalised, a merger is also about enhancing strategic capacity and capability. As such a comparison exercise with other FRAs of a similar size to the proposed Sussex FRA needs to be undertaken for inclusion within the full Business Case to ensure the maximum use of strategic capacity and capability is obtained including consideration of any additional skill sets required at corporate board level not currently affordable within the current structures e.g. legal; business/commercial etc. The CLG guidance states: "Increased capacity - would the option offer wider and deeper skills?"</p> <p>Potential benefits might include:</p> <ul style="list-style-type: none"> • Pooling of specialist expertise, such as for fire investigation, community fire safety, fire safety engineering, urban search and rescue etc. – where specialist expertise held by one organisation becomes available to another; • Enabling a critical mass of resource to be created, such as community fire safety teams, arson prevention teams, training etc; • Attracting more job applicants due to the increased career opportunities in a larger organisation. <p>Consideration should be given to whether the Integrated Risk Management Plan has identified any activity that one or another FRA would benefit from increased capacity."</p>
Disaggregation of WSCC central share of charges to WSFRS.	<p>The central apportionment of WSCC costs to WSFRS is £3m per annum as at 2010/11. Work must proceed to evaluate an appropriate transfer share of this sum into any new CFA including all relevant /appropriate central costs including any more obvious posts within TUPE arrangements which are a matter of law, directly attributable costs as well as an appropriate share of the central support costs required to manage the business of a Fire & Rescue Service in addition to those within WSFRS.</p>

Table 12 Key and Critical Business Case Criteria (CONT)	SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY
Transitional costs	<p>The DCLG guidance states: “Feasibility of meeting transition costs and resource needs The achievement of benefits from combinations is dependent on a number of key actions and the avoidance of potential risks. These actions should be scoped out in order to:</p> <ul style="list-style-type: none"> • Check whether resources are in place to assure a successful combination; • Inform the judgement of whether interested and affected parties will accept the actions needed to integrate organisations. <p>It is important to have a realistic understanding of the changes needed to integrate the organisations. Therefore, a preliminary review might be needed of the extent to which each of the following will need to be changed to enable combination:</p> <ul style="list-style-type: none"> • IT systems; • Administration processes; • Organisational structures; • Operating procedures.” <p>Having scoped out the potential range and the approximate cost of such changes, the resources needed to implement the changes should be approximated. Under previous guidance, the costs of combination cannot be capitalised where two or more FRAs volunteer to combine. However, it might be possible to approach the DCLG for transitional funding support. If not, it must be presumed that these costs must be met out of revenue or reserves. A detailed assessment of transitional costs will be a key element of the full Business Case - preliminary work is being done to seek to scope and subsequently commission reviews on, which requires Steering Group approval prior to proceeding as there will be modest cost implications involved:</p> <ul style="list-style-type: none"> • IT infrastructure issues • Business IT systems • Finance arrangements • Contractual costs involved in termination arising from merger /versus continuing to run with current contractual commitments to avoid penalties for subsequent rationalisation to occur e.g. are there any current WSCC contractual commitments to which WSFRS is a relevant party which would result in contract penalties from being incurred? What WSCC/WSFRS contracts are on particular fee scale arrangements that on merger, would continue to be incurred by WSCC/WSFRS yet also require additional fees if services were transferred to the current CFA service providers e.g. payroll • Initial estimate of scope and relative size of transitional and setting up costs (see Appendix 9). <p>As with any project of this complexity implementation will occur over a period of at least 2 to 3 years. The phasing of transitional costs, incidence of savings and even impacts between the two Services are likely and both organisations will need to develop and agree a protocol for equitable treatment of such issues over the medium term.</p>

Table 12 Key and Critical Business Case Criteria (CONT)	SPECIFIC ISSUES TO BE CONSIDERED FOR A COMBINED FIRE AUTHORITY COVERING WEST SUSSEX, EAST SUSSEX AND THE CITY
Strategic fit	<p>The DCLG guidance states: “It is important to consider the following issues:</p> <ul style="list-style-type: none"> • Operational performance; • Risk profiles – do your FRAs have similar risk profiles – such as motorway networks, major incident risks, as well as property fire risks? • Working practices – for example do you have similar shift systems? • Geographical alignment – for example do your FRAs share a border? • Cultural fit – do you have a similar mix of retained and whole-time duty system staff? <p>The extent to which two or more FRAs need to be similar in these respects is a matter of judgement. On the one hand, a high level of similarity may facilitate a smoother integration of the organisations after combination. On the other hand, the driver for combination may be to enable FRAs to share resources and thereby improve the performance of one of them.</p> <p>In addition, it would be expected that working practices, policies and procedures would be harmonised after combination. Therefore, it is unnecessary for these to be the same prior to combination. Finally, FRAs can introduce joint working, shared resources and policy harmonisation in the period leading up to combination in order to achieve an element of similarity between the FRAs. This may include, for example, sharing resources, sharing officers as cover for absence and joint training. Consideration may also be awarded to alignment with police and/or health authorities. There may be some benefits to partnership working if the boundaries of the new FRA aligned to a police or health authority. However, this is considered to be a secondary criteria compared to those noted above.</p> <p>All of these factors will be further evaluated as part of the full Business Case- but currently, none are considered to be problematic – in fact they each reflect the similarities which already exist between the two organisations – although shift system arrangements would obviously need to be considered in greater depth.</p>
HR implications	<p>All strategic issues such as staffing profiles, skill sets, functional role duplications; current HR policies and employment policies and principles</p> <p>No work on this has been completed at this stage</p>
EQUALITY (people) IMPACT	Summary of detailed Impact Assessment completed as set out in Appendix 6
ENVIRON. RISK	Summary of detailed Impact Assessment completed as set out in Appendix 7
CORPORATE RISK	Summary of detailed Risk Assessment completed as set out in Appendix 8
REPRESENTATIVE BODIES	Involvement to be considered as part of consultation arrangements and subsequently
EXTERNAL CRITIQUE	Professional Advisory Panel
STAFF RISK ASSESSMENT	To be completed as part of final Business Case when staff concerns analysed

4.1.4 In summary, these are the key Strategic issues that need to be resolved for inclusion within the final Business Case as far as possible, or assumptions made or options given where the outcome is unknown.

Governance

- Constitutional make up of CFA can be no more than 25 members – options either 18 or 24 members will work - ratio roughly 3/6 WS; 1/6 City and 2/6 ES. Policy option of 12 discounted currently as this would only give the City Council a representation of 2 Members. Smallest number to be considered would be 12, but this latter option is unlikely to be accepted by the City Council and the East Sussex Fire Authority.
- Political make up of CFA - as the democratic processes dictate.

Strategic Direction and timescales

- Initial Shared Strategic Vision and Strategic Aims
- Combination by 1 April 2013 or 1 April 2014. Each has differential implications. (1 April 2013 is preferred for reasons set out above)
- Shared Mobilising/RCC question will hit early
- Business as usual – i.e. decisions of WSCC Cabinet and ESFA on capital programme and budget cuts over next four years continue

Critical Funding issues

- Council Tax Equalisation
- Formula Grant outcomes and differential impacts of a 25% cut
- Formula Grant transfer from WSCC to CFA – supported capital element
- Expectations of WSCC on cuts
 - WSCC Central Establishment Charges - disaggregation and transfer to CFA
 - Capital costs of past investment - WSCC to transfer, debt free or by negotiation
 - Capital costs of future investments – will also impact
 - Balances transfer issues
 - Scale of managerial rationalisations to reduce replication but also build organisational capacity
 - Other likely areas for savings in addition to WSCC Central Charges, Management Savings – functional rationalisations; further shared services, outsourcing or contract expansion options
 - Agreeing these are the most important criteria to be drawn out in Business Case and initial feasibility document - to proving do the strategic funding issues stack up even following Formula Grant announcement
 - The Bottom Line is the relative differences in impact upon local council taxpayers' precepts at Band D – this will be the ultimate measure of success of a merger.

Critical communication issues

- Communications plans approved

5. INITIAL ASSESSMENT OF FINANCIAL IMPLICATIONS ARISING FROM OPTIONS.

5.1. The previous Section summarises the key Strategic Financial issues to be resolved on any future merger option upon which strategic political guidance is required in order to complete the final Business Case. These include:

- Achieving the target financial savings of both Authorities by the dates required.
- Financial issues specifically impacting upon WSCC – e.g. central charges
- Capital Investment issues
- Capital Debt Transfer and related asset valuations
- Transfer of appropriate WSCC Balances and earmarked reserves for WSFRS related issues
- Formula Grant disaggregation.
- Council Tax equalisation principles and scales of difference.

5.2 **A price base of 2010/11 estimates to outturn** is being used upon which to model different options for Business Case purposes.

5.3 Option 1: Existing position - Status Quo

5.3.1 ESFA and ESFRS (£39.3m – 2010/11)

5.3.1.1 The detailed budget analysis for the CFA budget is available for 2010/11 and can be modelled forward for the next five years including all inflation presumptions, savings presumptions, linked to structure charts and functional analyses. Allocation of overheads is available across relevant budget heads although apportionments of whole-time salaries and central costs remain necessary, but these have all been determined on sound principles of apportionment. The critical budget areas affecting collaboration and merger are all known and can be modelled appropriately for different options.

5.3.2 WSCC and WSFRS (£35.6m – 2010/11)

5.3.2.1 The detailed budget analysis for the WSFRS budget is available for 2010/11 as well as 2011/12. The base can be projected forward including the medium term savings from Fire Redesign. This base can then be modelled forward for the next five years but on a commitments basis only – any additional costs have to be met from compensatory savings. The budget is linked to the current structure charts and needs to be amended for impact of the Fire Redesign. Some allocation of overheads is available across relevant budget heads although apportionments of whole-time salaries and WSFRS support costs remain necessary, but can be determined on sound principles of apportionment.

5.3.2.2 WSCC made a charge for centrally provided services of just over £3m in 2010/11. Some of this cost is directly related to WSFRS i.e. some insurances, centrally provided services, the remainder is for the appropriate share of apportioned cost of WSCC central services across all services of the County Council. Further information is now available on an analysis of these costs including:

- a) what proportion is directly attributable to WSFRS
- b) what proportion of staff involved in the centrally provided support functions undertake more than 0.5fte on WSFRS services, both at the individual and functional levels
- c) what costs equate to the centralised provision of supporting the business and organisation of WSFRS not within the WSFRS direct budget
- d) what the scale of the solely apportioned WSCC costs might remain within the WSCC budget for the purposes of modelling the financial implications of a merger.

5.4 **Options 1 & 2a Collaboration and Option 3 possible merger**

5.4.1 ESFA and ESFRS figures can be modelled to different price bases over the next five years for different impacts of inflation, and similar projections have been undertaken for WSCC. Consequently, the evaluations will all take place based upon 2010/11 prices and only adjusted for changes arising from collaboration options. The options will seek to identify:

- Staff costs based upon one set of gradings and salary scales and related salary oncosts
- All other costs will only be identified where the impact of changes arising from collaboration options can either be calculated or estimated based upon the most prudent principles.
- The implications of the WSCC central charges.

5.4.2 Accurate savings assessed on market tested or evidenced grounds are not available due to time constraints. As such, prudent presumptions are being made for any such savings to be modelled. Risks will need to be highlighted including risk of savings not materialising including those to WSCC unless the residual central core services cannot be appropriately downsized in parallel if merger is progressed. Advice will be needed from the WSCC Treasurer on the reasonableness of such issues and potentially provision made. All support contracts from both organisations are being reviewed to determine the termination implications should a decision be made to rationalise these services in due course for a collaboration or merger option. The critical budget areas affecting collaboration and merger are all known and can be modelled appropriately for different options.

5.5 **Preliminary assessment of potential savings feeding in from the detailed functional scoping reviews**

5.5.1 **Fire Authority support, Corporate Board and Senior Management (to Heads of Function level) and associated costs**

- Option 2a Enhanced Collaboration. Only modest savings can be assumed to accrue for increased inter-service collaboration at Corporate Board level. It is possible that one support PO and a saving on Executive Support costs might be possible, but essentially, two Services have to continue to be run with differing reporting, operational and management arrangements for the foreseeable future.
- Option 3 Merger. The outcome of any corporate structure will depend upon what the newly appointed CFO&CE recommends to the Shadow Fire Authority and what is agreed by them for implementation by 1 April 2013 or shortly afterwards. The diagram shown as Table 13 below is illustrative for the purposes of the Business Case only. It is to demonstrate the key strategic roles that must be provided in any new Authority as well as a viable, effective senior management structure that would be capable of managing the range of functions required within the new Authority. It is by no means indicative of what any final structure chart will look like – but is required to demonstrate the levels of savings that could be achieved arising from a merger. As such it presumes the creation of one single Corporate Board and appropriate senior managements that rationalise existing posts from 56 to 41 and still introduce greater corporate capacity, resilience and the enhancement of specialist functional skill bases for overall corporate benefit.

This model presents a single Corporate Board comprising 6 posts compared to the 12 posts at present and links the Deputy Treasurer into the Board for the very first time. In addition to the appointment of a full time Deputy Treasurer at Board level, it proposes that the Deputy Monitoring Officer post is upgraded to a full-time position compared with current arrangements (2 days per week for both posts). A summary of the post and financial savings is presented below.

The Business Case structure presented in Table 13 below includes the following post models:

BUSINESS CASE MODEL ARRANGEMENTS: Senior Management posts

Corporate Board: 4 x uniformed Board Members; 2 x support Board Members
2 x Assistant Directors at Area Manager level + 1 x support DMO
Heads of Function: 3 x Area Managers; 17 x Group Managers; 12 x Support Managers

SENIOR MANAGEMENT TOTALS = 26 x OPERATIONAL AND 15 x SUPPORT = 41 IN TOTAL

This compares with the current Senior management posts across ESFRS and WSFRS:

CURRENT ARRANGEMENTS: Senior Management posts

Corporate Boards: 8 x uniformed Board Members (including 2 x AMs); 4 x support Board Members
Heads of Function 1 x Area Manager level +26 x other operational managers + 17 x support Managers

SENIOR MANAGEMENT TOTALS = 35 x OPERATIONAL AND 21 x SUPPORT = 56 IN TOTAL

INDICATIVE POST AND FINANCIAL SAVINGS

Estimated post saving at Head of function and above = from 56 to 41 = 15 posts = 27%

Current establishment costs of salary and 30% oncosts only = £4.740m

Estimated model structure costs of salary + 30% oncosts = £3.669m

Estimated model savings = **£1.071m** (23% saving)

No account has been taken of indirect savings in the above calculations. Further savings for most posts would include issues such as provided cars, uniform and PPE costs, training, insurance, IT and accommodation etc. These can all generate further savings over the short to medium term equivalent to at least £5k per annum per post and as such, a further saving of at least £0.075m can be presumed. As such the **indicative** differences at Strategic Management level between the options are presented in Table 13 below:

Estimated model savings including presumption for indirect costs = **£1.146m**

SUSSEX FIRE AUTHORITY MINIMUM INDICATIVE STRUCTURE CHART

Table 13 – indicative Minimum Structure for Business Case purposes only

SUSSEX FIRE AUTHORITY

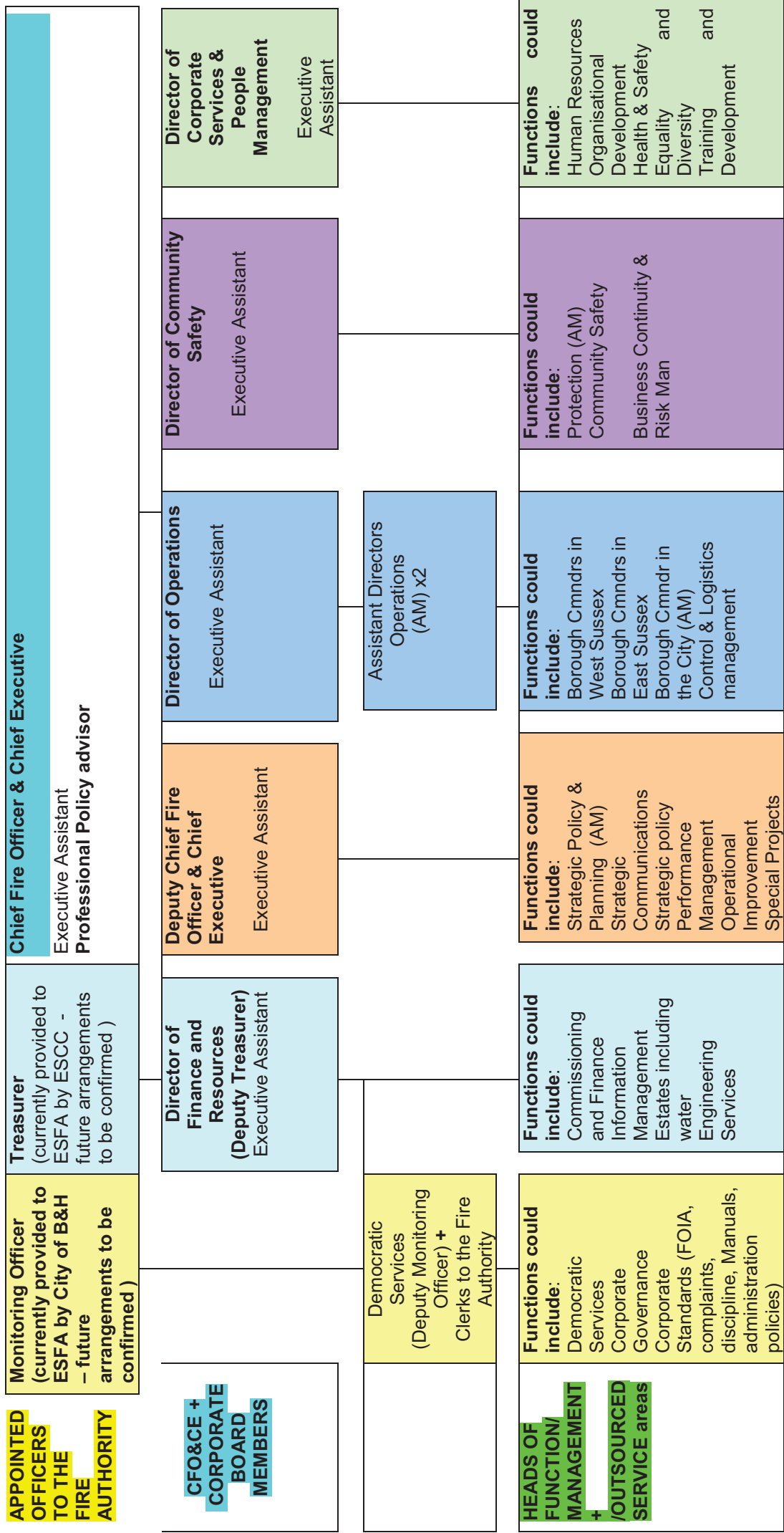


TABLE 14 Strategic Corporate Arrangements 2010/11 budget	Option 1 Status Quo	Option 2a Increased collaboration within the two Services	Option 3 Merger
	£m	£m	£m
CURRENT ARRANGEMENTS Corporate Boards: 8 x uniformed Board Members (including 2AMs); 4 x support Board Members Heads of Function 1 x Area Manager level +26 x other operational managers + 17 x support Managers SENIOR MANAGEMENT TOTALS = 35 x OPERATIONAL AND 21 x SUPPORT = 56 IN TOTAL	4.740	4.740	4.740 -
Collaboration: potential savings Saving of Support PO Saving on Executive Support Saving of 5 x Head of function posts from within both organisations at Area /Group Manager/support levels	- - -	-0.110 -0.030 -0.390	- - -
BUSINESS CASE MODEL ARRANGEMENTS: Senior Management posts Corporate Board: 4 x uniformed Board Members; 2 x support Board Members 2 x Assistant Directors at Area Manager level + 1 x support DMO Heads of Function: 3 x Area Managers; 17 x Group Managers; 12 x Support Managers SENIOR MANAGEMENT TOTALS = 26 OPERATIONAL AND 15 SUPPORT = 41 IN TOTAL			-1.071
Total net estimated savings	-	-0.530	-1.071
Amended total costs	4.740	4.211	3.669
Attributing 50% saving to both organisations			
Saving to WSFRS	-	-0.265	-
Saving to ESFRS	-	-0.265	-
Saving to the new Authority	-	-	-1.071

On preliminary considerations as highlighted in Table 14 above, the maximum saving to be generated across both organisations in relation to Strategic Corporate Management arrangements appears to be in the order of between £0.530m to £1.07m.

5.5.2 Shared Mobilising and Communications arrangements

It is highlighted in this Business Case that it is expected that a shared mobilising and communication arrangements will be established as part of the collaboration option evaluation. For the purposes of this Business Case, specific assumptions have had to be made pending the outcome of the review taking place concurrently on a joint control room as set out in Table 15 below.

TABLE 15	Option 1	Option 2a	Option 3
Mobilising and Communications arrangements	Status Quo	Increased collaboration within the two Services	Merger
	£m	£m	£m
WSFRS Command Mobilising Centre staffing	1.200	1.200	1.200
ESFRS M&CC Staffing	1.300	1.300	1.300
IT costs for WSFRS within Central Charges assumed to transfer on merger.			
Mobs Support (estimated and related licences, EISEC, Server replacements, insurance etc and overheads such as training)	0.400	0.400	0.400
Total	2.900	2.900	2.900
Impact of Business Case options as above			
Saving of one third joint staff	-	-0.750	-0.750
Saving of IT	-	-0.200	-0.200
Total net estimated savings	-	-0.950	-0.950
Amended total costs	2.900	1.950	1.950
Attributing 50% saving to both organisations			
Saving to WSFRS	-	-0.475	-
Saving to ESFRS	-	-0.475	-
Saving to the new Authority	-	-	-0.950

5.5.3 Functional scoping savings identified to date

Senior managers within both organisations have been working together to evaluate the potential savings arising from the various structural options at below Head of Function level. A summary of their findings is set out in Table 16 below assuming full year effect savings that would be likely to take time to implement. In addition to the functional savings achieved as identified in the previous sections which would be saved on merger, increased collaboration should achieve savings in limited key areas so that the future arrangements assume a lead is taken by one or other of the two Services and that these functions are progressively merged over the next two years.

It is also presumed that due to many central support services being provided within the WSCC central services outsourced by both organisations or requiring detailed reviews such as IT will realise more modest savings over time.

TABLE 16 Shared Functional services	Option 1 Status Quo	Option 2a Increased collaboration within the two Services	Option 3 Merger
	£m	£m	£m
Functional Scoping savings in addition to savings at Head of function level – non service delivery Scoping work for the Business Case has indicated that under the merger option, potentially more functional rationalisations could take place across a number of non-service delivery areas to varying degrees relative to the size of function compared with increased collaboration. However, any detailed proposals could not be confirmed until any implementation stage.		-0.430	-0.570
+ oncosts at 30%		-	-0.570
Total net estimated savings identified to date		-	-0.170
Functional Scoping savings in addition to savings at Head of function level – central service delivery functions		-	-0.410
+ oncosts at 30%		-	-0.410
Total net estimated savings identified to date		-	-0.120
Other Functional Savings IT (subject to outcome of separate independent review) Finance (subject to outcome of review of outsourced services and future contract arrangements)	Different structures and functional definitions make base line aggregation difficult.	-	-0.530
		-	-0.200
		-	-0.060
		-	-0.260
Indicative savings		-0.430	-1.530
Total indicative savings to date	-	-	-1.530
Attributing 50% saving to both organisations	-	-0.430	-1.530
Saving to WSFRS	-	-0.215	-
Saving to ESFRS	-	-0.215	-
Saving to the new Authority	-	-	-1.530

5.5.4 Rationalisation of special appliances, spare appliances and light fleet

A detailed exercise is taking place to consider what can be achieved from rationalising the operational fleet over the medium term. For this Business Case the more immediate savings have been identified. Many WSFRS appliances are leased and so it would mean that ESFRS appliances are not replaced and the WSFRS appliances used until lease expiry. Some ESFRS fleet were also leased, but not as many. Recent evaluations have suggested that finance leases are an expensive way of funding, reduce replacement flexibility and were only an expedient due to the previous capital expenditure controls. The current CFA has its own Prudential Guidelines, none of which are under pressure, and a Combined CFA would derive further investment planning flexibility subject to Revenue Budget affordability.

Assuming spare appliances can be rationalised and some special appliances such as the rescue vehicles, water tender and 4X4 vehicles, it is presumed that on a very cautious estimate, minimum fleet asset replacement of at least £1.2m capital could be saved over the medium term, subject to the outcome of the rationalisation review. Spare rationalisations could be achieved almost immediately and, as such, this would save at least £400k capital cost in the next financial year, so it is assumed that minimum revenue budget savings of £0.260m per annum could be achieved prior to the detailed evaluation taking place.

Rationalisation options	Capital Cost £m	Revenue Implications £m
Spare appliances - saving of 2 appliances	0.400	0.040
Water carriers - saving of 1 water carriers (3 in fleet currently)	0.226	0.030
4 X 4 road vehicles - Reduction in current fleet of 16 by 2	0.122	0.010
4 x Incident Command units - Reduction in current fleet by 1	0.168	0.010
5 x Heavy/Technical rescue vehicles - reduction in current fleet by 2	0.300	0.030
Capital implications	1.216	0.120
Add maintenance savings at estimated cost of £20k per vehicle per annum		0.140
	1.216	0.260

TABLE 17 Rationalisation of special appliances, spare appliances and light fleet - Impact of Business Case options as above	Option 1 Status Quo	Option 2a Increased collaboration within the two Services	Option 3 Merger
	£m	£m	£m
Revenue Costs		-0.260	-0.260
Total net estimated savings		-0.260	-0.260
Saving to WSFRS		-0.130	-
Saving to ESFRS		-0.130	-
Saving to the new Authority	-	-	-0.260

5.5.5 Summary of more readily identified savings so far:

TABLE 18 Summary of more readily identified savings so far	Option 1 Status Quo	Option 2a Increased collaboration within the two Services	Option 3 Merger
	£m	£m	£m
1. Strategic Corporate Arrangements	-	-0.530	-1.070
2. Mobilising arrangements	-	-0.950	-0.950
3. Functional scoping documents	-	-0.430	-1.530
4. Rationalisation of Fleet	-	-0.260	-0.260
Latest figures	-	-2.170	-3.810
Attributing 50% saving to both organisations			
Saving to WSFRS	-	-1.085	-
Saving to ESFRS	-	-1.085	-
Saving to the new Authority	-	-	-3.810

Whilst it is possible that further savings might be achieved from enhanced collaboration, it is considered very unlikely that the gap between the TOTAL estimated savings of £2.170m under collaboration could be closed to meet the differential between the estimated savings to be achieved from a merger in the order of £3.810m (with some key specialist review outcomes still to be taken into consideration) and there is a risk that some of the collaboration savings may not be delivered in full. Conversely, more savings are likely to be achieved from merger.

Under merger, it should be expected that further savings over the medium term would be achieved from core service reforms such as:

- a) merging central support functions and related contracts for insurance, finance, payroll, pensions, other exchequer functions, supply contracts
- b) officer response rotas across the total area and light fleet requirements
- c) such issues as economies of scale and scope on printed documents for training and other consumables etc.

Further savings from merger would require further evaluation, consultation and/or tendering and then progress to implementation in the medium term, but are not presumed for the purposes of this exercise.

Currently, a savings benefit of around £1m each to WSFRS and ESFRS is likely to be achieved from enhanced collaboration. As such, any potential expectation by WSCC that £2.5m per annum could be saved by 2013/14 solely from increased collaboration to the benefit of WSCC council taxpayers to compensate for the expected loss of Formula Grant seems ambitious.

For ESFRS, the medium term plan presumes an expected grant loss of 25% over the next 4 years, but has compensatory savings proposals agreed for implementation if needed, apart from a shortfall of £1.3m per annum by 2015/16. Some of the savings schemes in relation to middle management posts have been identified as being implicated in any collaboration work. But with the additional savings of £1m per annum likely to be achieved from increased collaboration being progressed broadly along the lines suggested above, and further savings from a potential merger, the longer term shortfall would be resolved for East Sussex Fire Authority.

This suggests that increased collaboration must be progressed to meet the expected funding deficits for both organisations caused by the predicted loss of up to 25% on Formula Grant by 2014/15. However, whilst collaboration might help resolve the funding shortfall for ESFRS, a gap remains for WSFRS and it may be necessary to consider alternative internal WSFRS savings if within WSCC politically a merger option is not progressed.

From this initial assessment, it seems reasonable to conclude that only with a merger from 1.4.2013 will meet the respective medium term pressures on both organisations to resolve the expected total Formula Grant shortfall by 2014/15 and possibly into 2015/16. At this stage, there has been no optimism bias carried out on these figures, no risk assessment of delivery to expectation has been carried out and no implementation plan contemplated. They are presented for the purposes of identifying sufficient information to progress to consultation stage and to set a scene of what is likely to emerge in the full Business Case.

6. NEXT STEPS IN PREPARATION OF BUSINESS CASE

- 6.1 Following the consultation processes in October and consideration of the outcomes of the supporting review work taking place until 31 August 2011, a full and final version of the Business Case will be submitted for further Member consideration in December.

West Sussex Fire and Rescue Service's Vision and Strategic aims

West Sussex County Council provides the Fire and Rescue Service (WSFRS) for the residents and businesses within West Sussex. Our vision is that WSFRS is:

'A Fire and Rescue Service serving its community, businesses and visitors by making West Sussex a Safer Place to Live, Work and Visit'.

We have identified 5 key strategic aims to deliver this vision:

1. Reducing the number of emergency incidents and their consequences
2. Working with our partners to build a safer, stronger, healthier and more sustainable community
3. Safe, healthy and competent employees
4. Value for money services
5. Reducing our impact on the environment

Values

We believe the way in which we work and deliver our services is essential. At the heart of all our activities is the need to operate in accordance with our values ensuring that the principles of safety, sustainability, partnership and diversity are uppermost in our behaviour. Employees will be encouraged and supported to adopt these values and apply them in their daily work. Our values are fully integrated into our training, development and assessment processes to make sure that they are given a high profile and that staff realise their importance

Our Core Values

Fairness

Integrity

Respect

Service

Trust

Equality and Diversity

We are committed to tackling inequalities and promoting equality between different groups in line with legislative requirements and our own values. We want to establish a climate that enables a supported, diverse workforce to provide a service that is closer to, and has an effective relationship with, the public. This will help us provide an even better service to all sections of our community.

The Area We Serve

West Sussex County Council is the Fire Authority (FA) for West Sussex and the Cabinet Member for Public Protection is responsible for taking decisions with regard to the work of the Fire and Rescue Service. The mid 2007 population estimate for West Sussex is 776,300. Sussex is a popular place to live, visit and retire to. It is a relatively prosperous area – ranking 130 out of 149 counties and unitary authorities according to the 2007 Indices of Multiple Deprivation (IMD). West Sussex does not have the extremes of deprivation typified by extreme high-rise buildings seen in large cities, but common with all counties there are areas of relative deprivation and need.

The Geographic area

- The designation of the South Downs National Park which came into effect on 1st April 2010
- The County is the second most wooded in the UK – 19% woodland compared to the national average 9%.
- The coastal conurbation is in need of economic regeneration. There has been a long-term cycle of poor investment and in some ways underachievement.
- The Gatwick Diamond is a high performing sub-regional economy, overall one of the top performing 'Diamonds' in the South East. It has a population of 648,000, with a workforce of 343,000 as it covers the boundary areas across both Surrey and West Sussex.

Transport and transport dynamics

- There is a significant amount of traffic running on the various trunk roads, especially the A23, A27 and A24, bringing commuter and holiday traffic between the County and the London Metropolitan area.
- The West Sussex rail network comprises three distinct parts characterised by varying levels of service and consumer need over the network.
- There are complex commuting patterns into and out of the county and within it. Inward commuting to the county is around 70,000 while 80,000 people travel out to work elsewhere.
- Gatwick is the busiest single-runway airport in the world, the second largest airport in the UK and the tenth busiest international airport in the world.
- The Health and Safety Executive (HSE) and other organisations have produced estimates of the rate of aircraft crashes per aircraft movement at airports and on this basis a crash incident can be expected around once every 16 years¹.
- The coast features a number of ports and harbours including Littlehampton and Shoreham. It is one of the most developed coastlines in the UK.

Environment and heritage

- The county has a new National Park, with a large number of other environmentally protected areas. These include 82 Sites of Special Scientific Interest (SSSIs), 26 Nature Reserves and 266 Sites of Nature Conservation Interest (SNCIs).
- The county is a low coastal zone, which is heavily populated but also susceptible to both coastal and inland flooding.
- There are a significant number of heritage properties within the county, some of which are recognised as National treasures.

Demographics

- **West Sussex population is predicted to grow consistently over the next 25 years with migration compensating for the negative natural population growth.**
- West Sussex has an older population than the national or regional average 3.2% of the total population, compared to 2.1% nationally and 2.4% in the South East.
- The highest increase in population has been in the 60-64 years age group (“Baby Boomers”) with second highest in the 85–89 group.
- The numbers of people (aged 65 years or over) who have dementia is projected to increase by almost 2,000 within 20 years. Nearly 14,000 people in West Sussex are suffering from some form of dementia.

Cultural and Diversity issues

- In the 2001 Census 6.5% of the population of West Sussex were from British Ethnic Minorities (BEM) (not white British) groups.
- Of this overall figure 15.5% of the population of Crawley were from British Ethnic Minorities (BEM) (not white British) groups; far higher than regional and national averages.
- In the Arun district the Workers Registration Scheme shows that there were approximately 3240 migrants registered between 2004 and 2007.

Deprivation

- **West Sussex is a relatively prosperous area, ranking 130 out of 149 counties and unitary authorities (1 being the most deprived 149 the least)**
- 19 Super Output Areas (SOAs) are now ranked in the most deprived 20%.
- All Districts have become relatively more deprived, except Mid Sussex. Adur has fallen the greatest number of places down the rankings, i.e. becoming relatively more deprived, a fall of 41 places; this is third largest fall in England, after Barnet and the Isles of Scilly.
- 19% of children in Crawley live in low income houses.

Impact of an uncertain economy

- Lower disposable income could lead to a reduction of activity in the night-time economy and a subsequent reduction in violent crime and damage there.
- Increased stress, social problems and drinking at home could lead to an increase in domestic violence.
- Economic hardship could lead to an increase in hate crime against minority or emerging communities.
- Property crime may increase, including theft of cycles, theft of fuel and shoplifting. Burglary and robbery may also increase.
- Risks exist around road safety – potentially there may be more people cycling. Increased home vehicle maintenance and delays in replacing parts and servicing could lead to vehicles being poorly maintained. Driving hours (and tiredness) may also increase if people feel driven to work longer hours or delivery workloads increase.

How We Serve You

For 2010/11, we are operating from 28 fire stations across the County (but with 3 retained stations being closed as part of the recent Fire Redesign recommendations being approved), together with a Service headquarters in Chichester, training centre at Worthing, and a range of other specialist support locations. WSFRS staffing includes:

- Command and mobilising personnel who receive emergency calls and support the management and collection of operational information and support the WSCC helpline out of normal working hours.
- Operational firefighters who deliver the operational response and prevention activities within the local communities.
- Operational managers located at headquarter and within districts.
- Support staff who are key to provide the core services such as:
 - Workshops
 - Electronic Services/ information systems
 - Training
 - Business support
 - Finance and procurement
 - Resource management

The 2011/12 IRMP action plan identified a number of changes and improvement to the way we deliver the service for implementation. These improvements include:

- Improved training resources
- Review of pre-determined attendances
- Fire cover review – matching resources to risk
- Fleet review
- Information systems review
- Incident command and fire protection delivery re-structure

This action plan has ensured that we are structured to meet the needs of the people of West Sussex and enable us to deliver the strategic aims.

East Sussex Fire Authority Vision and Strategic aims

Achieving safer and more sustainable communities

The primary objective of the Fire Authority is to drive down risk in local communities, schools and businesses across the county of East Sussex and the City of Brighton & Hove. Our aim is to make our County and City a safer place to live in, work in and visit as well as to improve wellbeing for all our citizens. We are also seeking to ensure we contribute to the wider sustainability agenda as well as invest to achieve sustainability in our own service provision to meet long-term needs at a price council taxpayers can afford.

East Sussex Fire Authority's Strategic Aims

- To provide quality services – by providing prevention, protection and response services that reduce the number and impact of emergency incidents and help safeguard the environment
- To have a diverse, safe, valued and competent workforce
- To deliver quality, value for money services

Our Core Values



Our Vision for Equality & Diversity

In order to achieve our vision we believe that we should be striving to ...'***Embed Equality & Diversity into everything we do***'. In this way, we will be serving the whole community, as our Values remind us.

By 2012, we intend to demonstrate that we are actively consulting with our communities and our partners as well as other service deliverers to meet the various needs of all our different and hard-to-reach communities who are most at risk. We also want to create a more diverse workforce that better reflects the diversity of the local population in each area. This involves identifying and then removing barriers that prevent people from accessing our services. We believe that we can only do this if we engage with all communities and involve them in service planning and service delivery in a more targeted way and also understand our local area and the particular needs within it.

The Area We Serve

East Sussex Fire & Rescue Service serves a population of approximately 762,000 within the constituent authorities of Brighton & Hove City Council and East Sussex County Council. Our community is growing and encompasses a diverse range of people and groups, each with differing needs, providing us with a broad range of opportunities and challenges when working both for and with the community. Our larger towns and the City of Brighton & Hove are popular tourist destinations and the summer population is enhanced significantly along with the risk of fire and road traffic collisions. As well as our heavily populated urban areas, and places with low socio-economic housing, we also have areas of significant wealth as well as serving sparse rural communities. As such the demography varies considerably, but it has some key characteristics:

Coastal influences

- At least 70% of the population live along the coast.
- Our area provides almost every aspect of community risk including multiple harbours with the inherent risk of ship fires and oil terminals leading into the city of Brighton & Hove.
- The shape of the area and the influence of landscape and a significant coastal and inland flooding causes risks in areas such as Lewes and Uckfield.
- We live in one of the most wooded counties in England where 63% is designated as 'an area of outstanding natural beauty', with 47 miles of coastline, some of which is designated 'heritage coast'.

One in four residents over pensionable age.

- East Sussex has the highest proportion of elderly residents – 75+, 85+ and 90+ - with one in four residents over pensionable age.
- Brighton & Hove has an elderly population of approximately 16.8%. However, both areas have a lower than regional and national average number of young people aged 0-15.
- Government trend research suggests an average population increase of 3,900 people a year in East Sussex, almost all in post-retirement age groups.

Social Deprivation issues

- East Sussex experiences the highest levels of deprivation of all the counties in the South East, with 33 (10%) of the county ranked within the 20% most deprived areas in England. There are approximately 14% of older people living in low-income households in East Sussex.
- In Brighton & Hove we have the highest percentage of overcrowded households outside London.
- Areas such as East Brighton experience a high percentage of children living in income deprived households. Although in relative terms, child poverty in East Sussex appears to be improving, the actual number of children living in low-income households has grown to more than 17,000.
- Increases in house prices over recent years have placed pressure on the already congested rental market. The private rented sector in Brighton & Hove is the sixth highest in England and Wales. This has resulted in a higher than average number of properties being converted into flats. Hove has one of the highest number of houses in multiple occupation outside of London. A high proportion of the buildings in the seafront areas are occupied by multiple households, which are often at greater risk of fire.

Transportation issues

- Within the whole of East Sussex, there are no motorways and fewer than 50 miles of dual carriageway. Consequently, the road infrastructure is poor. Even the three geographically separate coastal urban areas have poor road connectivity, yet contain 70% of the total population of the Authority's area. This affects directly road traffic accident risks and service response rates.
- East Sussex has many picturesque villages and remote households with their own risks due to the distance from the community fire stations located in small towns.

Cultural and Diversity issues

- Visitors
 - The City area alone attracts 9 million visitors a year, including 5 million day visitors.
 - The City of Brighton & Hove hosts a number of conferences including those held annually by major political parties.
 - Brighton & Hove has two universities, hosting approximately 32,000 students, many of whom stay on after graduating.
 - Brighton & Hove is a popular destination for migrants from other parts of Europe, with people from Poland and Spain as the most populous communities.
- Resident population
 - East Sussex comprises many diverse and culturally rich communities, despite the relatively small numbers of many of these communities when compared to some other parts of England and Wales.
 - The Black and Minority Ethnic (BME) population represented 3.9% of our total population in 2004.
 - There are twice as many Buddhists in Brighton & Hove as the average for England and Wales, and the Jewish community in the City is three times the average size. Half of the Sussex Muslim community lives in either Brighton & Hove or Crawley which is in West Sussex.
 - We have a large Lesbian, Gay, Bi-sexual and Trans-sexual (LGBT) population, particularly in the Brighton area.

Potentially, all members of the communities are at risk from fire. However, trend analysis and local knowledge has identified those people most at risk. The most vulnerable groups in the community are:

- Elderly people particularly those living alone
- People with disabilities
- People living in socially deprived areas or on low incomes
- Students in university accommodation
- Residents of houses in multiple occupation.

How We Serve You

East Sussex Fire Authority is responsible for serving the people who live, work and travel in East Sussex. Your firefighters deal with over 5,000 fires in homes, industrial buildings, vehicles and outdoors and carry out more than 3,000 special service incidents including rescuing people from road traffic collisions. It is our intention to prevent fires and other life threatening incidents occurring and we are proactively providing fire safety advice and training to the public to prevent fires starting in the first place and working with partner agencies to improve public safety.

Our services are delivered through 24 Fire Stations, a training centre, and our Fire & Rescue Service Headquarters in Eastbourne. The Fire & Rescue Service's staffing comprises:

- Mobilising and Communications personnel who receive emergency calls and support the management and collection of operational information
- Wholetime and retained firefighters at our fire stations who provide the key operational services and proactive safety services to the community
- Senior operational managers and specialist advisers located at Fire & Rescue Service Headquarters
- Support staff who provide core services such as finance, information technology, occupational health, personnel and training.

A review of our internal structure was carried out in 2007/08 to ensure we meet the changing needs of our local communities and the new expectations and service requirements laid upon us. Four Directorates focus on the overall vision of the Fire & Rescue Service to achieve safer and more sustainable communities.

APPENDIX 3

Previous national criteria for assessing local government reorganisation assessment criteria for governance arrangements

The table below makes an assessment against the previous local government reorganisation assessment criteria for governance arrangements. This national criteria were established by the Local Government Commission in the early 1990s and used by all affected local government organisations in order to be able to make objective assessments and value judgements on the relative merits or otherwise of different merger /separation options involving the creation of unitary authorities and the creation of Combined Fire Authorities as consequences of such outcomes in particular areas.

They remain relevant today, but it should be remembered they were specifically geared to establishing which areas were suited to being created into unitary authorities rather than 1974 structural status quo arrangements continuing to prevail. As such, the democratic aspects feature strongly. It has been considered helpful to revisit these criteria to consider their merits or otherwise prior to preparing the proposed Business Case and other criteria can be added or amendments made to them at the detailed Business Case stage. If the final Business Case is to receive CLG approval, it is inevitable that these issues will also need to be covered, although the priority impact/risk assessments may be weighted more to one criterion than another in this particular case.

Core Local Government Governance Criteria	SPECIFIC ISSUES TO BE CONSIDERED FOR A SUSSEX COMBINED FIRE AUTHORITY
1. COMMUNITY IDENTITY	
Is the authority meaningful to local communities?	<p>Communities: the extent to which the authority identifies with and reflects the socio-economic characteristics and natural communities of the area.</p> <p>Sense of Place/Belonging: the extent to which the authority would engender a sense of belonging.</p> <p>Shared Interest: The extent to which the proposed structure focuses on the common interests and primary needs of the local communities.</p>
Does it reflect varied local community identities and interests?	
Does it understand local economic & environmental circumstances?	
<p>Assessment: There are a number of private and public sector organisations which are constituted across, and cover, the wider Sussex area. The distinction between East Sussex and West Sussex, whilst historical, has increasingly blurred through business travel to work areas, regional centres of shopping and commerce and with similar geographical, socio-economic and political make-up. Community identity within the City is strong, there are strong community identities within the major towns and in the rural communities but if anyone asks for a song that encapsulates our area more often its Good Old 'Sussex by the Sea'.</p>	

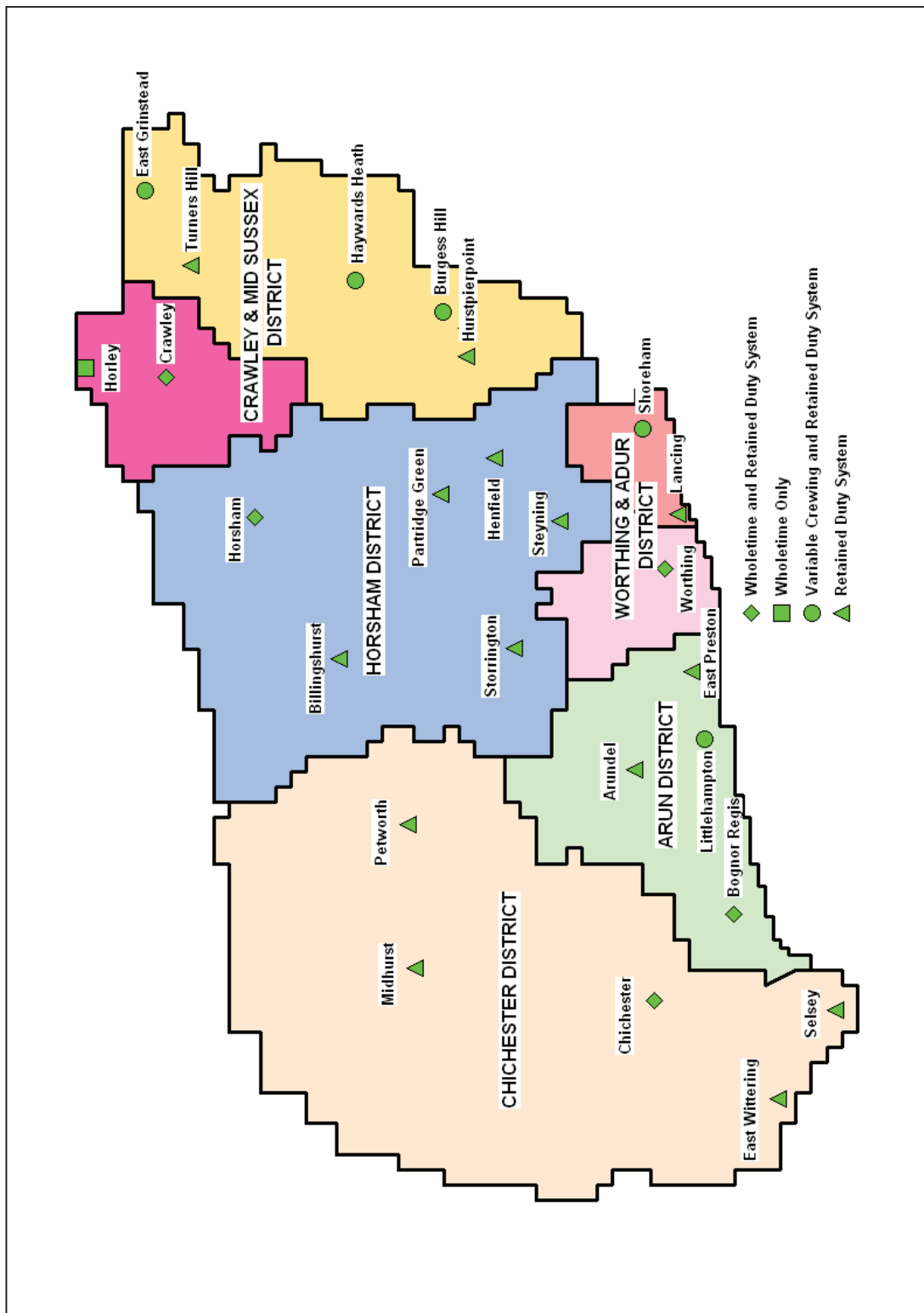
Core Local Government Governance Criteria (cont)		SPECIFIC ISSUES TO BE CONSIDERED FOR A SUSSEX COMBINED FIRE AUTHORITY
2.	DEMOCRACY/ACCOUNTABILITY	For a CFA, some of citizen representative relationships are via constituent authorities' nominations but accountability remains direct.
	Is the authority representative of local people and directly accountable for all of its actions through local democracy?	Representation: The extent to which the organisation can adequately represent the variety of interests that may exist within the area and its ability to represent these interests at regional, national, European and other international events. Participation: The extent to which the organisation can ensure local communities have an effective input into local decision making.
	Does the authority have credibility in acting on behalf of citizens and at local national and international levels?	Partnership: The extent to which the authority is able to work effectively with other groups or agencies and with local town and parish councils. Accountability: The extent to which the authority could be held directly and clearly accountable for the services it provides, the expenditure it incurs and the taxes it charges. Joint arrangements: The extent to which the authority can avoid the creation of joint arrangements as a consequence of the main reform proposals.
	Assessment: A Pan Sussex Fire Authority would have nominated representatives from West and East Sussex County Councils and the City in the ratio of 3/6; 2/6 and 1/6 respectively. Representation at regional, national and possibly more widely would be strengthened through increased representational significance. Participation would continue to be effected through the integrated risk management arrangements. Partnership arrangements would be strengthened at the strategic level with no potential loss at local level. Accountability arrangements would actually be improved in terms of clarity as the different structural arrangements that currently exist would be removed. The negative impacts of Joint Board arrangements would be avoided with a full merger.	
3.	Clarity	
	Is it a structure which local people understand?	Clarity: the extent to which public understanding and perception is improved by the structure.
	Assessment: A full merger would enhance public accountability for the Fire & Rescue Services across Sussex with one organisation being accountable and answerable to local stakeholders, council taxpayers and local business interests.	

Core Local Government Governance Criteria (cont)		SPECIFIC ISSUES TO BE CONSIDERED FOR A SUSSEX COMBINED FIRE AUTHORITY
CORE CRITERIA		SPECIFIC ISSUES TO BE CONSIDERED
4.	Accessibility & responsiveness	
	Is the authority able to provide flexible services delivered through multiple local service points, matching local priorities and local wishes?	<p>Recognition: The extent to which the organisation can recognise and respond to the wishes and preferences of local people, interest groups and local communities.</p> <p>Communication: The extent to which the organisation can ensure two way communication with local communities.</p>
<p>Assessment: Local community services would continue to be delivered through devolved services coterminous with borough and district council boundaries through local stations. The change to a regional PPE, regional workwear has facilitated recognition of a more generic Fire & Rescue Service branding and common strategic aims and objectives, performance improvement goals in community safety and common ways of working, and the service specific equality and diversity agenda all facilitate the move towards a merged organisation which can recognise and respond to the wishes and preferences of local people, interest groups and local communities on a cost effective manner. Consultation and communication would be streamlined and the current duplication of resources reduced and economies of scale and scope improved to overall community benefit.</p>		
5.	Strategic Capability	
	Does the authority have the capacity to deal with strategic matters within and outside the area?	<p>Co-ordination: the extent to which the authority could plan strategically the full range of services in an efficient and effective manner.</p> <p>Strategic Capability: the extent to which the authority can balance the needs and requirements of the community as a whole.</p> <p>Influence: the extent to which the authority has sufficient stature and networking capability in influencing external agencies whether these be at local, regional, national, European or international level.</p> <p>Flexibility: The extent to which the organisation can plan and respond to changing needs of the community, whether they be economic, social or environmental, in a timely, efficient and effective manner.</p> <p>Self-sufficiency: The extent to which the organisation will be self sufficient without the need to create (further) joint arrangements.</p>
<p>Assessment: The ability of a combined organisation would benefit all the relevant criteria listed.</p>		

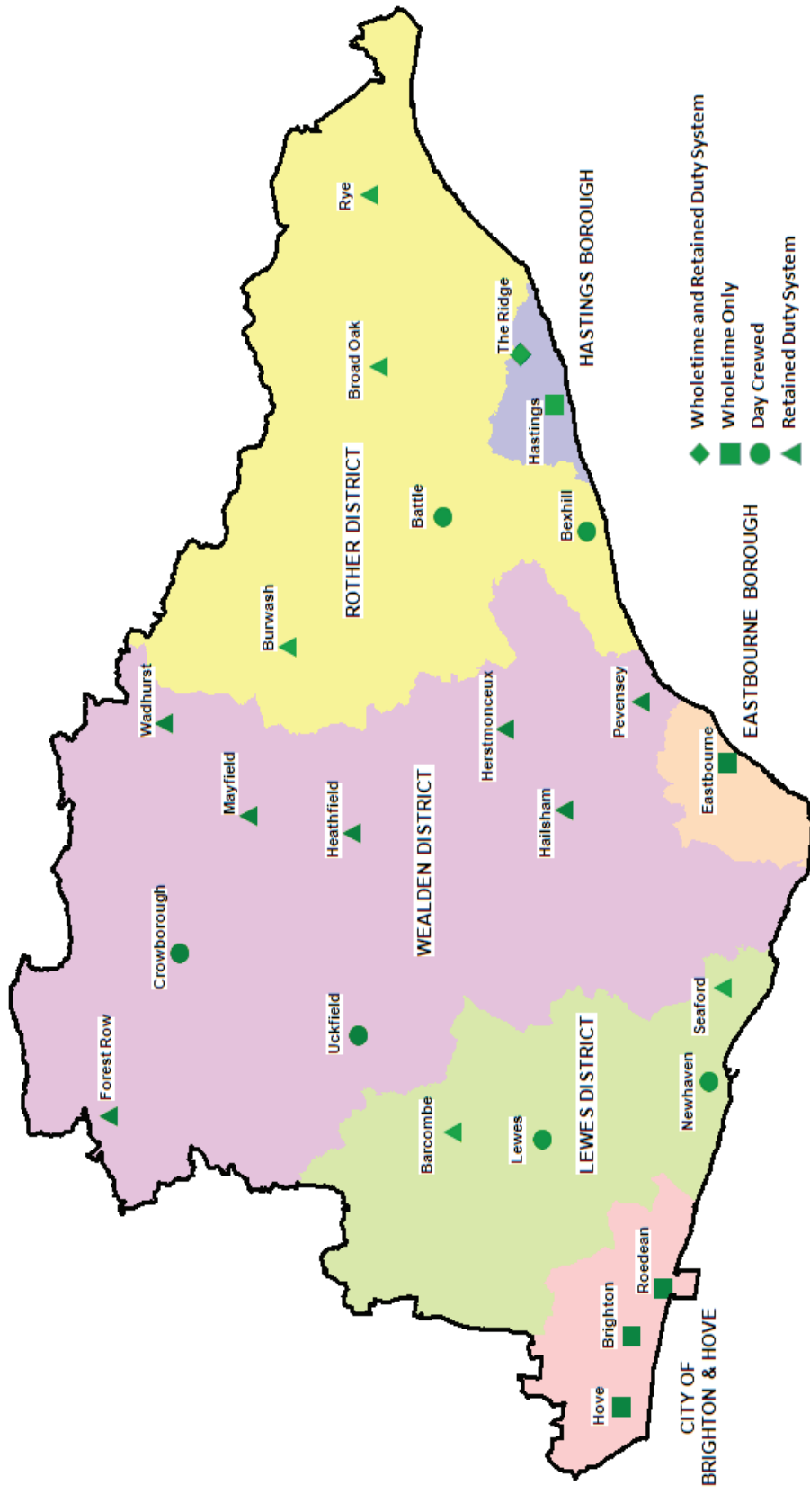
Core Local Government Governance Criteria (cont)		SPECIFIC ISSUES TO BE CONSIDERED FOR A SUSSEX COMBINED FIRE AUTHORITY
CORE CRITERIA		SPECIFIC ISSUES TO BE CONSIDERED
6.	Costs/ financial viability	
	Can any transitional and running costs be justified by quantifiable added value brought about by change?	<p>Transition: The extent to which costs may arise in the creation of any new structure.</p> <p>Costs: The extent to which the running costs of any new structure compare favourably with existing running costs.</p>
	Is the resource base of the authority large enough to provide responsiveness and flexibility in meeting the dynamic needs of communities?	<p>Sensitivity: The extent to which the costs of the structure represent a robust option with regard to annual charges to the taxpayer.</p> <p>Financial Base: The extent to which the financial base of the structure can adequately accommodate the dynamic needs of the community served.</p>
<p>Assessment: the preliminary assessment prior to the full Business Case being completed would indicate that transitional costs are affordable, but DCLG transitional funding would assist to resolve such issues as HR implications and IT infrastructure investment. Costs would be saved; council tax equalisation on the 2010/11 base budget is achievable and the financial base would be improved by a larger organisation being able to generate and sustain resources needed to deal with major events and contingency planning risks</p>		
7.	Services	
	Can the authority provide a broad range of high quality services, sensitive to local needs and sufficiently robust to meet priorities and retain specialisms in a way which achieves value for money?	<p>Accessibility: The extent to which the structure can provide accessible services to the public.</p> <p>Coverage: The extent to which the authority could provide the full range of services and functions including specialist services.</p> <p>Co-ordination: The extent to which the organisation can recognise and promote linkages between related services.</p> <p>Provision: The extent to which the organisation is able to deliver services in a wide variety of ways, efficiently and effectively.</p> <p>Capability: The extent to which the organisation could secure necessary resources and staff.</p> <p>Competitiveness: (Related to CCT - now ceased - but new criteria of Collaboration could replace it: e.g. extent to which the organisation can operate in partnership with others to secure cost effective community outcomes.)</p> <p>Quality: The extent to which the organisation could provide and maintain a high quality service provision to the community.</p>
<p>Assessment: The ability of a combined organisation would benefit all the relevant criteria listed.</p>		

This assessment is summarised in Table 10 in the main document.

West Sussex Fire & Rescue Service - Location and types of Fire Stations



East Sussex Fire & Rescue Service - Location and Type of Fire Stations



Current Budget profiles WSFRS and ESFRS 2010/11 Revenue

	West Sussex FRS	East Sussex FRS	ESFRS compared with WSFRS % difference	Total merged
	£m	£m	%	£m
SUMMARY				
2010/11 Expenditure estimate				
Net expenditure excl capital charges	34.604	37.150		71.754
Capital Charges	1.008	0.964		1.972
Total (For ESFRS this excludes contribution to Balances of £1.2m included in the table below)	35.612	38.114	+4	73.726
BUDGET ANALYSIS				
Direct Service Expenditure				
Employees	24.992	26.320	+5	51.312
Premises	0.902	2.056	Not comparable	2.958
Transport	1.605	1.338	-19	2.943
Supplies & Services	1.754	4.218	Not comparable	5.972
Support Services	Incl elsewhere	0.447	Not comparable	0.447
Gross Direct Costs	29.253	34.379	Not comparable	63.632
Less Income	(1.496)	(0.596)		(2.092)
Total Direct Service Expenditure	27.757	33.783	Not comparable	61.540
WSCC Central Charges for support costs incurred (see functions listed on next page)	3.004	-	Not comparable	3.004
Treasury Management	-	(1.156)	+5	1.972
Capital Financing	1.008	2.120		
Pensions	3.843	3.367	-12	7.210
Total Expenditure	35.612	38.114	+7	73.726
Transfers to Balances	-	1.200	Not comparable	1.200
Total Expenditure for precepting	35.612	39.314	Not comparable	74.926
Financed by:				
Formula Grant (WSFRS Fire element only)	(8.252)	(14.673)	Not comparable	(22.925)
Council Tax	-	(24.541)	Not comparable	(24.541)
Council tax Deficit	-	(0.100)	Not comparable	(0.100)
WSCC funded balance	(27.360)	-	Not comparable	(27.360)
Total Gross Funding	(35.612)	(39.314)		(74.926)

COMPONENT ELEMENTS OF WSCC CENTRAL CHARGES THAT MUST BE DISAGGREGATED FOR CONSIDERATION RE MERGER BUT ALSO FOR POSSIBLE COLLABORATION WORK ON RELEVANT SUPPORT FUNCTIONS

Functions	WSCC Outsourced	WSCC Internal
Pay & Employment Services		X
Audit		X
People Management		X
Corporate Learning & Development		
Liability Insurance	X	
Information Management		
IT Operations		X
Customer Services		X
Customer Services Unit	X	
Facilities Management		X
Director of Business Improvement		X
Procurement Services		X
Central shared support services		X
BSD Support		X
Business Change		X
Legal		X
Health & Safety		X
Property Services	X	X
Capital		X
Modern Records		X
Help Points		X
Non-Executive Functions		X
Policy & Performance		X
Europe		X
Communications		X
Director Finance		X
Financial Services		X
Members		X
County Elections		X

Equality (People) Impact Assessment

A full Equality Impact Assessment has been undertaken to cover the Business Case preparations using the template agreed for the completion of the previous Level 3 Equality Standard for Local Government. The summary page is set out below. A full version of the EqIA is available on request.

PART 6 – EQUALITY IMPACT ASSESSMENT SUMMARY REPORT

The results of people impact assessments must be published. This summary will be used to publish the results of this people impact assessment within the final Business Plan.

Date of assessment 18 February 2011

Officers names	Diana Williams Matt Sturman	Role	Joint Project Team on Review
-----------------------	--------------------------------	-------------	------------------------------

Review that was impact assessed

West Sussex County Council (for WSFRS) and East Sussex Fire Authority (for ESFRS) have agreed to prepare a Business Case to consider the relative merits between the current arrangement and options for increased collaboration including a possible merger. The Business Case requires us to evaluate the following options:

- Option 1: Continued informal collaboration in some areas (Status Quo)
- Option 2a: Shared Enhanced collaboration between the two Services
- Option 3: Combination (merger)

It presumed Service Delivery will be protected and as such the assessment considers citizenship and staffing issues only, but identifies possible improvements which help support positive impacts at the implementation stage.

Summary of findings

The Review, in its current format, is perceived to have either a neutral impact upon community services or is likely to provide an opportunity for positive protection for the current level of services provided to local communities compared to the prospect of absorbing an average reduction of 25% in Government Grants by the respective services under current arrangements.

There are Member representational issues to consider in terms of the various governance models being considered.

The Review also provides an opportunity to consider proposals to rationalise senior management and support functions in order to protect direct services to local communities and help reduce costs to local council taxpayers so that all groups benefit from the proposals.

As such, the most negative people impacts are likely to be within current senior management posts and any support functions which are identified as likely to be rationalised. So these need to be considered from an employment equality perspective. Few staffing numbers make wider representation across the equality strand potentially more difficult to achieve.

However, both Services will continue to target to specific needs, and it is unlikely that any future service planning and resource management arrangements will have negative impact – the opposite is likely to be true – building organisational capacity is likely to enhance opportunities to develop differential services e.g. services for children, services for vulnerable persons, specialist access and building adaptations and community safety installations for particular needs.

It is also recognised that the current proposals are still only indicative and it will not be possible to identify full impacts until the implementation proposals are drawn up for consideration.

Summary of recommendations and key points of action plan

- Consideration of impact of different review options on member representation across the local communities
- Consideration of impact of different review options on senior management and support service functional rationalisation
- Effective consultation and engagement throughout the period and across all 6 strands and other groups
- Continued development of community profiling information across both organisations

Groups that this policy will impact upon

Race	<input type="checkbox"/>	Gender	<input type="checkbox"/>
Sexual Orientation	<input type="checkbox"/>	Age	<input type="checkbox"/>
Disability	<input type="checkbox"/>	Religion or belief	<input type="checkbox"/>
Other	<input checked="" type="checkbox"/>	All	<input checked="" type="checkbox"/>

Environmental Impact Assessment

A full Environmental Impact Assessment has been undertaken to cover the Business Case preparations using a similar template for the People Impact assessment which is being considered for adoption by the SEFRAs. The summary page is set out below. A full version of the EnvIA is available on request.

PART 6 – ENVIRONMENTAL IMPACT ASSESSMENT SUMMARY REPORT

The results of ENVIRONMENTAL impact assessments must be published. This summary will be used to publish the results of this impact assessment within the final Business Plan.

Date of assessment 5 February 2011

Officers names	Diana Williams Matt Sturman	Role	Joint Project Team on Review
-----------------------	--------------------------------	-------------	------------------------------

Review that was impact assessed

West Sussex County Council (for WSFRS) and East Sussex Fire Authority (for ESFRS) have agreed to prepare a Business Case to consider the relative merits between the current arrangement and options for increased collaboration including a possible merger. The Business Case requires us to evaluate the following options:

- Option 1: Continued informal collaboration in some areas (Status Quo)
- Option 2a: Shared Enhanced collaboration between the two Services
- Option 3: Combination (merger)

It presumed Service Delivery will be protected and as such the assessment considers the rationalisation of assets, savings arising from a shared communications centre, opportunities afforded by greater shared organisational capacity to encourage environmental goals and applying best practice within both organisations. However, until the Implementation Plan is agreed, this first EnvIA identifies potential improvements to be expected.

Summary of findings

The Review, in its current format, is perceived to provide an opportunity for positive improvement across all environmental issues as the Review provides an opportunity to rationalise senior management and support functions and assets. Potential negative impacts may be in increased car mileage by management. However, both Services will continue to target to specific needs, and it is unlikely that any future service planning and resource management arrangements will have negative impact – the opposite is likely to be true. It is also recognised that the current proposals are still only indicative and it will not be possible to identify full impacts until the implementation proposals are drawn up for consideration.

Summary of recommendations and key points of action plan

The Implementation Plan will need to establish base level measurement across the two services for all Environmental issues identified above.

“Above the line” Risks	Member /Steering Group /other Level	Risk Status	Assessment of Corporate Risk as at May 2011 and mitigation plan	Impact upon Risks following updated version of the Business Case as at 12 May 2011
A. CONSULTATION				
1. External Strategic consultation with key external influencers not effective	Cllrs Bradbury, Livings and CFOs	B II	Key external Stakeholders consulted informally and all aware of decision to prepare Business Case	Reducing
2. External Strategic consultation programme not effective	JPT	B II	Selection of wider external Stakeholders consulted informally and all aware of decision to prepare Business Case. Formal Strategic consultation programme being prepared by relevant and joint communication teams	Reducing
3. Internal Strategic consultation programme not effective	PLT/CMT	B II	Both corporate boards updated monthly and are involved in supporting the Business Case with relevant managers	Reducing
4. Liaison with DCLG is ineffective in terms of assisting us to resolve issues requiring national determination	JPT	CII	Liaison with DCLG on progress taking place on a regular basis	Reducing
B. COMMUNICATIONS				
5. External and Internal Strategic communications not effective	Cllrs Bradbury, Livings and CFOs + PLT/CMT	B II	Appropriate and proportionate external and internal communications completed on announcements of progress so far and formal Strategic communications programme being prepared. Authority and Cabinet briefings completed	Reducing
6. Internal Strategic consultation programme not effective	PLT/CMT	B II	Internal communications completed on announcements of progress so far and formal Strategic communications programme being prepared	Reducing

“Above the line” Risks	Member /Steering Group /other Level	Current Risk Status	Assessment of Corporate Risk as at May 2011 and mitigation plan	Impact upon Risks following updated version of the Business Case as at 12 May 2011
C. PROJECT PREPARATIONS				
7.	JPT	B II	Options known, timescales known, objectives known. Document produced with high level risks identified. Day to day jobs list also prepared and monitored by JPT	Reducing
8.	JPT	B II	Joint Project Teams Task lists unable to be completed within timetables set	Reducing
9.	PLT/CMT	B II	Joint Service managerial review tasks required to complete Business Case unable to be completed within timetables set	Reducing
12.	CFOs	B II	Fuller assessment of likely level of savings from joint command and control project is not delivered sufficiently promptly for outcomes to be fed into final Business Case in June	Reducing
15	Cllrs Bradbury, Cllr Livings	B II	Review of Strategic Finance implications and arrangements as currently commissioned with Treasurers teams not synchronised to feed into interim business plan	Reducing

	“Above the line” Risks	Member /Steering Group /other Level	Current Risk Status	Impact upon Risks following updated version of the Business Case as at 12 May 2011
C.	PROJECT PREPARATIONS (cont)			Assessment of Corporate Risk as at May 2011 and mitigation plan
16	Other day to day work of JPT becomes mission critical /at risk of failure	CFOs/ JPT	B II	Weekly updates (informal) of progress need to be provided to CFOs to measure achievement against progress on other responsibilities.
17	Impact on other work of PLT/MT becomes mission critical /at risk of failure	CFOs/ PLT/CMT	B II	Weekly updates (informal) of progress need to be provided to CFOs to measure achievement against progress on other responsibilities.
D.	INTERIM BUSINESS CASE OUTCOMES			
24	ICT Review not commissioned so that full implications of ICT are unknown for inclusion within full Business Case	Cilrs Bradbury, Livings and CFOs	B1	ICT scoping document prepared
25	Property Review not commissioned so that full implications for property condition for both Services is unknown for inclusion within full Business Case	Cilrs Bradbury, Livings and CFOs	B1	Property scoping document prepared

“Above the line” Risks	Member /Steering Group /other Level	Current Risk Status	Assessment of Corporate Risk as at May 2011 and mitigation plan	Impact upon Risks following updated version of the Business Case as at 12 May 2011
E. FULL BUSINESS CASE OUTCOMES				
26 Financial disaggregation of WSFRS past, present and future costs remains unreconciled	WSCC Treasurers	BII	Treasurers working group established and wip – contact made with CLG officials	Reducing
27 Due Diligence Tests remain incomplete	Treasurers	BII	Treasurers working group established and wip – contact made with CLG officials	Reducing
28 Functional Scoping documents unable to be finalised in time for inclusion in full Business Case	CFOs /PLT/CMT	BII	Regular Review of project plan and liaison arrangements and wip	Reducing
29 Professional Advisory Panel provide a negative critique of final conclusions drawn prior to Full Member meetings	Cllrs Bradbury, Livings and CFOs	BII	Strategic consultation on expectations will need to be provided in May	Reducing
30 WSCC and ESFA conclude different outcomes	Cllrs Bradbury, Livings and CFOs	BII	Effective informal consultation and briefings by Member Steering Group and CFOs in run up to meetings in June	Reducing
31 Ineffective communication of Business Case outcomes	JPT	BII	Reviewing updated consultation and engagement plan and daily liaison with Heads of Communications	Reducing
32 Consultation document not prepared for immediate issue once decision is made	JPT	BII	Regular Review of project plan and liaison arrangements with comms teams	Reducing

SECTION 2: ASSESSMENT OF REVIEW PROCESS FROM LOCAL DECISION TO APPLYING TO CLG FOR APPROVAL IF MERGER AGREED

	“Above the line” Risks	Member /Steering Group /other Level	Risk Status	Assessment of Corporate Risk as at May 2011 and mitigation plan	Impact upon Risks following updated version of the Business Case as at 12 May 2011
F.	POST FULL BUSINESS CASE OUTCOMES				
32	Consultation document not prepared for immediate issue once decision is made	JPT	BII	Regular Review of project plan and liaison arrangements with comms teams	Reducing
33	Outcomes of consultation proposals are inconclusive	Cllrs Bradbury, Cllr Livings and CFOs	BII	Strategic advice required from Steering Group on best way to proceed	Reducing
34	WSCC and ESFA conclude different outcomes following full Business Case		BII	Strategic advice required from both Authorities on best way to proceed	Reducing
35	Implementation Project on agreed options not set up or set up delayed		BII	JPT to prepare advisory report on options and cost implications in June/July	Reducing
36	Formula Grant information remains unclear		BII	Strategic advice required from DCLG on best way to proceed as Council Tax equalisation cannot be reconciled	Reducing
37	DCLG require further information than is provided in Business Case submission	JPT	BII	Regular liaison with DCLG contact points	Reducing

TRANSITIONAL AND SETTING UP COSTS**1. Introduction**

- 1.1 It is necessary to identify any transitional costs for the various Business Case options for further development in the interim and then final Business Case. The only guidance on transitional costs included in the DCLG document is attached as Annex 1 for background information.

2. Transitional costs identified to date

- 2.1 Set out as Annex 2 is an **Indicative** schedule of the scope of transitional costs also based upon the experiences of the move from ESFRS out of ESCC to a new CFA for discussion and further adaptation, latest work done on Service prioritisation and impact of redundancies and other discussions on network connectivity etc.

3. Estimated costs - again indicative

- 3.1 The most expensive cost (apart from the opportunity cost to both organisations of all the project work and functional disruptions) are the potential redundancy costs involved. Post savings on any future merger are likely to be greater than under increased collaboration and it is possible, due to staff profiling and length of service. Using a ready reckoner from Department for Business, Innovation and Skills and indicative range of from £1.5m to £2m would seem reasonable – but until the scoping work has been completed it is impossible to tell. DCLG are asking how they might facilitate CFA mergers - one way would be to capitalise redundancies via the Capital Directions arrangements. It is presumed that all staff transferring would be under TUPE conditions. The DCLG are very unlikely to agree to Capital Directions being used for such costs arising from increased collaboration which is another disadvantage in terms of immediate burdens to be faced by both authorities from any enhanced increased collaboration proposals.
- 3.2 It is also possible that significant costs may arise from IT infrastructure under merger, but initial indications are that network connectivity may not prove to be as costly as first thought. An external evaluation is taking place on this issue. If the network connectivity isn't a problem, and operational emergency calls can continue to be shared by both organisations, savings will accrue from the joint mobilising centre as previously provided. Other Software rationalisations can take place as appropriate. WSCC Capita IT Infrastructure continues into the medium term. Middleware development should continue within ESFRS. (agreed) A very indicative figure of £0.3m might seem reasonable for the remainder. ESFRS are in process of changing HR and Community Safety Systems.
- 3.3 A property review is also taking place. It has been assumed that £0.05m will meet the cost of both Reviews. An implementation team will be required which will be likely to be through secondments and reprioritising current workloads – presumed additional costs 2 FTE for 2 years at middle manager level - £0.2m. Other costs as identified above - say further £0.25m. This excludes such issues as any rebadging of the combined fleet. This gives an initial first estimate of £2.5m for transitional costs – subject to further debate, of which it may be possible to apply for Capital Directions or DCLG funding for redundancy costs (£2m first estimate)

4. Next Steps

- 4.1 Work will continue to develop a better estimate of best/worst/middle ground transitional cost estimates.

Extract from DCLG Guidance

1.1.7 Paragraph 3.5.5. Feasibility of meeting transition costs and resource needs

The achievement of benefits from Combinations is dependent on a number of key actions and the avoidance of potential risks. These actions should be scoped out in order to:

- Check whether resources are in place to assure a successful Combination;
- Inform the judgement of whether interested and affected parties will accept the actions needed to integrate organisations.

It is important to have a realistic understanding of the changes needed to integrate the organisations. Therefore, a preliminary review might be needed of the extent to which each of the following will need to be changed to enable Combination:

- IT systems;
- Administration processes;
- Organisational structures;
- Operating procedures.

Having scoped out the potential range and the approximate cost of such changes, the resources needed to implement the changes should be approximated.

The costs of Combination cannot be capitalised where two or more FRAs volunteer to combine. Therefore, these costs must be met out of revenue or reserves.

1.1.8 Paragraph 3.6.4 Estimating costs

At this stage, only approximate cost estimates are needed. Indeed, it might not be possible or necessary to estimate costs at this stage. The options appraisal may rule out options through the rating of objectives and benefits, negating the need for a costing. A full costing of options could be deferred to the full Business Case.

Also the costing would be limited to those options considered to be feasible.

Some typical costs include:

- Changes in IT systems;
- Redundancy or early retirement costs;
- Consultancy costs to support Combination;
- Re-branding costs (uniform, badges, signs etc).

Appendix A provides a ready reckoner tool to help estimate costs. The costs estimated are based on professional judgement by systematically considering each cost heading for the FRAs. It is likely that there will also be an “opportunity cost” in respect of time devoted by staff to the Combination process. An option is to estimate this cost and include it in the comparison.

INDICATIVE SCHEDULE OF TRANSITIONAL COST AREAS

Option Increased collaboration

- Steering Group, Professional Advisory Group, Member support and meeting co-ordination arrangements, travel and time costs (absorbed within current workloads and budgets for Business Case)
- Additional legal and Treasurers charges via contracts for increased workloads
- Joint Project Team costs (absorbed within current workloads for Business Case)
- Functional management team costs (absorbed within current workloads for Business Case) for scoping functional collaboration options
- Principal Officer teams for evaluating outcomes and tests of reasonableness
- Reviews of Property - requirement for external consultancy assessment
- Review of IT infrastructure - requirement for external consultancy assessment – significant implications expected in terms of differences involved, different software etc but ESFRS building Middleware currently for data sharing (previously required for RCC) Shared IT connectivity investment for joint working and joint sharing of defined software systems. WSCC (WSFRS) IT assets owned by Capita and rented + service outsourced. ESFRS IT assets owned by ESFRS.
- Communications teams for communication both internal and external as required. (absorbed within current workloads for Business Case)
- Enhanced audio visual facilities required to save internal travel requirements
- Consultation programme
- Principal Officer teams for evaluating outcomes and tests of reasonableness
- Applying Ways of Working (joint operational policies and procedures)
- Organisational Development investment for cultural fit, staff cohesion
- Rewriting, reading, reworking strategies affected
- Contracts re re-entering if required for any jointly run services
- Linking of performance management arrangements, intelligence systems
- Joint project for mobilising and communications (real project progression with separate project team and funding to be determined).
- Redundancy costs of staff.

Option Mergers

- All of transitional costs for collaboration (as adjusted) +
- Full 12 week consultation required
- Implementation Team
- New Members Allowance Scheme - set up further Independent Advisory Panel to determine new allowances

- Merged business system for Members
- Member Induction
- Communications and updating of records and those of partners, suppliers, public notices and notifications
- New BT adverts etc
- Representative body reorganisations – any costs of restructure?
- Review of Capital, investments and asset valuations (absorbed within current workloads for Business Case)
- Contracts renovations and retendering if required
- New contracts to be established for Monitoring Officer and Treasurer (appointments were previously agreed) – services followed the appointments
- Rebadging for fleet – agreement made that rebadging of fleet assets would be done on replacement to save over £200k (some vehicles within ESFA still have East Sussex Fire Brigade on them)
- Rebadging for property – last time done over a medium term programme when properties were redecorated or upgraded again to minimise costs
- Armorial Bearing for new Fire Authority
- Re Asset Marking as required to achieve complete new CFA asset records
- Further staff redundancies – post implementation
- New CFA Members Handbook, Strategies, Plans,
- Rationalisation of functions should only proceed if pay backs exceed transitional costs of implementation
- Strategic Finance issues as previously identified.

Discounting previous options from the Business Case

It was agreed initially that the Business Case should consider the following enhanced collaboration options under the main Option 2:

- 2a): Enhanced collaboration between the two Services
- 2b): Single Senior Management Team reporting to two legal entities (WSSC and ESFA)
- 2c): Joint Board and single Senior Management Team

It has now been agreed to discount options b) and c) and proceed to evaluate enhanced collaboration between the two Services but with two leadership teams and existing democratic arrangements compared to merger

The principle differences and risks of options 2b) and 2c) compared to the remaining option a) are set out below to explain why these sub-options were discounted.

1 Collaboration (option 2b) – one leadership team, two authorities

1.1 The principal differences between this and enhanced collaboration between the two Services are two-fold. Firstly, there would be only one senior management team and, therefore, modest efficiencies could accrue at a senior level – but these were not expected to exceed £0.37m per annum. Secondly, the ability for the team to identify, drive through and capitalise on efficiencies through managing the two organisations as one would be likely to be enhanced. With one senior management team, competing respective organisational priorities might be more easily resolved and there would be less likelihood of there being perceived hidden agendas. Organisational standard setting, consistency of management approach and cultural norming would also be more easily achieved. However, the two approaches of joint commissioning or lead authority would remain, and the respective challenges around them. One issue that is important to consider is that East Sussex FRA would still need a Chief Executive, so under this model it would be more likely that the joint Head of Service CFO would also have to fulfil the role of ESFRS Chief Executive.

1.2 With regard to the broader risks:

Governance – within our local context, there would be a considered significant risk arising from the fact that that one management team would be required to report to two separate authorities, whose constitutional arrangements differ fundamentally from one another. Whilst there are working examples in some authorities, these are normally structurally similar in constitutional terms. Any merged management team would have to be able to respond to cabinet arrangements for WSSC, but also be managed within ESFA with conventional Committees without executive powers. For example, such an arrangement could have potential adverse implications of having to report to two separate organisations with different constitutional arrangements, whilst seeking to manage a critical major incident within, or possibly across, the two Authorities.

Strategic Managerial - again within our local context, strategic command and control could be fettered by the need to communicate with, seek the guidance and advice of, and support the needs of two separate Authorities. The potential risks of conflicts of democratic decision making, and worsened clarity of command and control are considered to outweigh the modest financial benefits derived. The potential competing or conflicting demands might prove difficult to resolve and have an adverse impact further within both services by distracting senior managers from delivering important change objectives. Furthermore, it would have the potential to have an adverse risk on strategic managerial capacity.

Operational – many of the risks relating to service collaboration would be lessened, a few may disappear, though some may remain at middle management level where there would still be equal ranking managers on operational rotas employed by separate authorities.

Financial – Two authorities and services with one management team would still mean two budgets, two budget cycles and different grant settlements and demands for savings from the two authorities. This would make managing the Services into the future difficult. If, for example, the lead authority model were adopted, and set up on an equitable basis, but ongoing grant settlements put unequal pressure on budgets, how could these be fairly resolved?

Reputational – There would still be managers at middle management level attending incidents in respective areas and so this risk would remain.

Technological – The likelihood of driving through change would be enhanced with one management team, but funding differentiations would always prove problematic in introducing improvements across the Services.

Opportunity – One management team would be more likely to identify and deliver on opportunities for improvement and efficiency.

2. **Collaboration (option 2c) – one leadership team, two authorities, joint board**

- 2.1 The risks and issues would be largely the same as with the previous option, with the exception of the Governance risk issues. It is acknowledged that a Joint Board can be made to work and there are many examples of Joint Boards working successfully with similarly structured organisations. However, the key fact remains that a Joint Board would be able to undertake limited executive functions delegated to it respectively by the two accountable Authorities (WSCC and ESFA) and the accountability for all statutory responsibilities would have to remain with these respective bodies.
- 2.2. There would be a potential issue of creating reduced clarity on how the respective statutory and legal responsibilities and potential conflicts might best be resolved between the Joint Board and/or one or both of the accountable Authorities. Whilst there might be benefits in having ostensibly one political controlling mind ensuring a single management team discharge its managerial and operational functions effectively, this could well unravel at the main Authority level on crucial decisions and fetter both Services until a mutually acceptable strategic direction is achieved. If there is failure to agree, there would be the risk that the collaborative arrangement might unravel to the detriment of all concerned.

- 2.3 However, the key disadvantages and risks would be that the two constituent authorities, West Sussex County Council and East Sussex Fire Authority remain the legal responsible bodies for the two Services, they might fail to agree on a way forward on statutory roles and related service planning and resource prioritisation. There would be the adverse risk and impact of bureaucratic delay and potential uncertainty. It would also create an operational risk in terms of clarity of command and control through to democratic arrangements and would, itself, have to deal with the different constitutional arrangements of supporting a County Council and Combined Fire Authority.
- 2.4 It is certain there would be service planning and community resourcing differences to seek to reconcile as well as related budgeting differences which would continue to need to be managed, and, of course, there would be no efficiencies in terms of the democratic overhead – in fact, costs would be likely to increase modestly as WSCC Members on the Joint Board may well expect, quite reasonably, to receive Member Allowances in order to achieve parity with their ESFA Member colleagues.
- 2.5 A Joint Board might also be seen by both authorities as a dilution of certain of their existing powers; to function properly as a Joint Board, there would need to be some delegation/transfer of responsibilities to the Board to an appropriate level excluding any statutory accountabilities- which it would only be able to advise upon. To keep governance arrangements intact and set up a Joint Board with only advisory responsibilities on key issues would gain very little as the Board Members would need to refer back to parent authorities for any substantive decisions. There would be a similar potential risk in relation to the extent to which any statutory functions which had to remain vested in both Authorities might actually be fettered by the existence of a Joint Board.

APPENDIX 11

FRS East-West Merger indicative Decision Timetable

GOVERNANCE AND DECISION TIMELINES	WEST SUSSEX COUNTY COUNCIL	EAST SUSSEX FIRE AUTHORITY
Decision One: Five options to two – Recommendation: closer collaboration or merger	20 April - approved by Cabinet Member	17 March - approved
	03 May Cabinet Briefing	
	05 May Decision effective subject to call in	
	10 May deadline for report to CSSC (responding to call in points)	
	18 May CSSC & Member Task Force	
	19 May Deadline report to Task Force	
	24 May Deadline for PRAM papers for 1 st June	
	25 May Task Force Meeting	
	26 May Deadline for report to Task Force	26 May Policy & Resources Panel
	23 May CEB 10.30am	26 May FA Scrutiny & Audit Panel
	1 June PRAM for CSSC	
	1 June Task Force Meeting	
	2 June Cabinet Member receives updated Business Case	2 June CFA Full Meeting-confirm decision on merger and consultation
	3 June Deadline for reports to CSSC	
	15 June CSSC	
	21 June Cabinet Meeting/ briefing	
	27 June Deadline for report to Cabinet Member	
Decision Two: Two options to one: (either closer collaboration or merger)		
	1 July Cabinet Member decision to consult on Merger as single option	
	12 July Cabinet Meeting – Public cabinet update	
	13 July DECISION EFFECTIVE (Subject to Call in)	

GOVERNANCE AND DECISION TIMELINES	WEST SUSSEX COUNTY COUNCIL	EAST SUSSEX FIRE AUTHORITY
If decision to progress Merger as an option:		
	14 July 12 week consultation begins	14 July Scrutiny & Audit Panel
		1 Sept Scrutiny & Audit Panel
		2 Sept Public Consultation ends
		8 Sept Full CFA Meeting
	14 Sept CSSC	
		22 Sept Scrutiny & Audit Panel
	06 Oct consultation ends	
	17 Oct CSSC pram report deadline	
	18 Oct cabinet briefing report deadline	
	Date TBC Task Force Meeting	
	21 Oct CSSC PrAM	
	02 Nov CSSC report dispatch	
	04 Nov governance pram report deadline?	
	09 Nov CSSC	
	10 Nov Cabinet Member considers recommendations from Select Committee – Cabinet member produces report for County Council with recommendations	
	14 Nov governance PrAM (Governance Report deadline)	
		17 Nov Policy & Resources Panel
Decision Three: recommendation to County Council – Cabinet Member to relinquish power to CC for it to agree to new authority	18 Nov	
	18 Nov Governance report dispatch (papers public) for Governance Committee on 28th	
	25 Nov County Council PRAM papers deadline	
	28 Nov Governance Committee	
	30 Nov DECISION THREE RECOMMENDATION EFFECTIVE	
	01 Dec County Council PRAM	
	02 Dec County Council report deadline	

GOVERNANCE AND DECISION TIMELINES	WEST SUSSEX COUNTY COUNCIL	EAST SUSSEX FIRE AUTHORITY
Decision For full approval for merger		8 Dec
	09 Dec County Council papers published	
Decision Four full approval for merger	16 Dec WSCC COUNTY COUNCIL/ESFRA MEETING Final decision date and public announcement	
	Sept 2012 Statutory Instrument laid before parliament	
	April 2013 Possible merger date	