



COMMUNITY JUSTICE SECURITY

DECISION RECORD

Decision Record Number: 29

This document records a decision taken by the Police and Crime Commissioner, together with details of the advice he received prior to taking the decision.

Decision taken

The Police and Crime Commissioner has taken the decision to progress with the Home Office the proposed transfer of Fire Governance.

Details of advice taken

Following a meeting on the 30/11/17, the PCC considered advice from the Director of Delivery, the S151 advice and due diligence and consideration by the Chief Executive.

This advice included highlighting risks and proposed mitigations which were accepted and agreed by the PCC.

Martin Scoble
OPCC Chief Executive
24/01/2018

END



COMMUNITY JUSTICE SECURITY

Northamptonshire Police and Crime Commission

Supporting Report to the Police and Crime Commissioner

Date of Report	29 November 2017
Subject	S151 Advice in Respect of Proposed Fire Transfer
Report Author	Helen King, Chief Finance Officer

1. Purpose of Report

1.1 To provide S151 advice to the Commissioner in respect of the scope and content of financial due diligence undertaken, information considered and reviewed in light of the business case and proposal to move Fire Governance to the PCC with effect from the 1/4/18.

2. Decision(s) Recommended:

2.1 The Commissioner considers the information contained within the report to inform his decision on the way forward.

2.2 Should the PCC wish to take forward the transfer of Fire Governance, it is recommended that the PCC considers and accepts the limitations, risks and uncertainties highlighted within this report and supports the actions identified and Medium Term Savings Plan proposed to mitigate them.

2.3 Furthermore, should precept flexibility be available for the Fire precept for 2018/19 and future years, it is recommended that the PCC consider any options to seek to build a sustainable and robust financial basis for Fire moving forwards.

2.4 Should the PCC wish to take forward the transfer of Fire Governance, it is recommended that a high priority is given to reviewing the central support and accommodation recharges and the Fire and Police Estates Strategies to identify and maximise opportunities for economy, efficiency and effectiveness to support and maximise operational delivery and provide capacity, resilience and improved ways of working.

3. Relevant background / Chronology of Key Events:

3.1 During the production of the Business Case in August 2017, public consultation and thereafter, the PCC has been in constructive and transparent discussions with Northamptonshire County Council, Northamptonshire Fire and Rescue Service, the DCLG and Home Office colleagues in respect of his intention to take forward the governance of Northamptonshire Fire and Rescue Service.

3.2 Working through the practicalities of the business case and proposed transfer and agreeing the 2017/18 position has been complex. It is not a standalone Fire authority and funding is not ring fenced, therefore it is included within the County Council budget and funding arrangements. Since August 2017, the PCC and NCC have worked together to identify a baseline position for 2017/18.

3.3 During this work, a number of decisions and agreements were made between NCC and the PCC to undertake due diligence and facilitate agreement of the 2017/18 baseline position and enable the proposed transfer.

3.4 On commencement into post of the OPCC Chief Finance Officer (CFO) on the 9/11/17, further due diligence took place to the period 29/11/17. The scope of this due diligence has been limited by the time available but has included the following:

- Ascertaining the decisions and agreements already made and clarifying and querying whether there could be any movement on them. It has been confirmed by the PCC that no movement is possible on decisions already made.
- Reviewing the Fire Operational Budget together with the Director of Delivery and Northamptonshire Fire and Rescue Service and better understanding the information, constraints and flexibilities within it.
- Understanding what budgets will transfer from NCC and which will be retained.
- Understanding the central and accommodation recharges.
- Understanding the provenance of the funding information.
- Seeking information in respect of Fire Insurance Reserves and Provisions – NCC have confirmed that this will remain with them and they remain liable for all fire claims to the point of transfer.
- Seeking information in respect of insurance excess levels to ascertain what reserves would be sufficient to cover these. Further clarification has been sought by NCC which has been provided and it is anticipated that this information will shortly be available.
- Seeking information in respect of TUPE transfer costs and Pensions information – this information takes some time, has been passed to the relevant NCC team and remains to be clarified. It is not expected that this

information will be available before a final decision on a proposed transfer is made.

- Seeking information in respect of the balance sheet and assets and liabilities. Should the transfer be approved, NCC have committed to working with the CFO to take this forward.
- Seeking information on any debt charges which would be passed over with Fire for historic capital purchases. NCC have confirmed no debt charges will be made in this regard and no share of NCC RCCO budget will transfer.

3.5 Due diligence has included producing a draft Medium Term Financial Plan over 3 years, based on agreed assumptions with the Chief Fire Officer and Home Office consultant and reviewing and agreeing savings levels required.

3.6 The CFO highlights the following risks and proposed mitigations for the PCC to consider:

- The CFO has had discussion with the External Auditors regarding the proposed underwriting of Year 1 liabilities with the County Council. For which the External Auditors feel is reasonable but that it would be required in writing and a legal agreement put in place to support this way forward.
- The CFO has highlighted the risk with the PCC regarding the lack of reserves at the commencement of the Transfer. The PCC has agreed to set aside sums from the revenue budget in the MTFP to ensure a sufficient level of reserves could be in place by year 3 or earlier where practicable.
- The CFO has highlighted the risk of shortfall in the operational budget each year of the MTFP and discussed the requirements for a savings plan with the Chief Fire Officer. The Chief Fire Officer has provided options and accepted and agreed the savings identified within it.
- The CFO has highlighted the risk to the PCC that the lack of/low level of reserves could potentially lead to an adverse or qualified conclusion on the Fire statement of accounts over the first few years. If taking forward the proposed transfer, the PCC accepts this risk may materialise for the medium term.
- The CFO has highlighted a potential cashflow risk to meet day to day financial obligations following transfer due to the lack of cash-backed reserves for Fire and options to mitigate this risk as far as possible will be progressed if the proposed transfer is approved.
- The CFO has highlighted the unknown financial risk to TUPE arrangements and recognises the likelihood that this information will not be available until after the decision has been made.
- The PCC and Chief Fire Officer have recognised that there is no planned Capital Programme and have identified essential operational priorities. However, the CFO has highlighted concerns regarding the affordability of such a programme in line with the budget; the need to balance this with available funding; any revenue contributions which could be made and mitigations which could be available with S106 funding to mitigate the impact.

- To assist the PCC in his decision, the CFO has modelled additional funding which would be available should precept flexibility up to the level of 5% be given in the forthcoming 2018/19 settlement. This is identified on the MTFP.

3.7 In providing this advice, whilst the CFO has highlighted the financial challenges to the PCC of the proposed transfer, it is recognised that other issues may arise which cannot be readily quantified at this stage.

3.8 In doing so, the CFO recognises the longer term sustainability and opportunities available to support both Fire and Police moving forwards and has highlighted a number of actions and proposed mitigations and options available for the PCC to consider which if accepted, could support the PCC in progressing with the proposed transfer.

4. Consultation:

4.1 Progression of the business case took place following public consultation.

4.2 In providing this advice I have sought the expertise of the PCC, the Chief Executive, and the Director of Delivery in the OPCC who has led the work on the proposed governance model.

4.3 Furthermore, I have sought further information from Northamptonshire County Council Finance Department, a view from KPMG, the current External Auditors and the Home Office external consultant who has provided further objectivity and challenge.

5. Compliance Issues:

5.1 Is this a decision of 'significant public interest?'

5.1.1 This is a decision of significant public interest and as such the business case was subject to public consultation.

5.2 Is the recommended decision consistent with the priorities set out in the Northamptonshire Police and Crime Plan 2014/17?

5.2.1 The Transfer of proposed Governance arrangements is consistent with the Commissioner's intentions within his plan and the results of the public consultation.

5.3 What are the financial and procurement implications of this decision?

5.3.1 There are no procurement implications from this decision.

5.3.2 Financial implications have been considered within the Business case and from wider consideration of the detailed proposals.

5.3.3 In doing so, as CFO I have highlighted areas of financial pressures, opportunities and concern that need to be considered in the light of the proposed decision to continue with the business case.

5.4 Will further decisions be required?

5.4.1 The Home Office and DCLG will make the final decision based on advice from the PCC and NCC and their statutory officers.

5.5 Legal Implications

5.5.1 The transfer of governance would require formal legal transfer and changes to funding arrangements.

5.5.2 The External Auditors have advised that the NCC underwriting of general reserves in year 1 up to a level of 3% should be documented and supported by a legal agreement.

5.6 Risk Management

5.6.1 Financial risks are identified in respect of potential TUPE liabilities, insurance costs and other liabilities unknown at this time.

5.6.2 Without reserve levels in place, cashflow risks are identified.

5.6.3 Mitigations include that NCC will underwrite liabilities for the first year up to the level of 3% from their general reserve and the three year MTFP includes contributions to build up reserves.

5.7 Has an Equality Impact Assessment been undertaken?

5.7.1 The business case included an equality impact assessment.

6. Evaluation of alternative option(s):

6.1 The business case was subject to public consultation and evaluated all relevant options.

6.2 Public support was received in respect of the proposed option.

7. List of background reports used to compile this report:

Business Case for the Northamptonshire Police and Crime Commissioner to become the Northamptonshire Fire and Rescue Authority.

Scrutiny undertaken by the newly appointed Chief Finance Officer and shared with the Commissioner on the 23/11/17.

Draft Medium Term Financial Plan discussed and compiled in conjunction with the Chief Fire Officer.

8. List of appendices accompanying this report (if any):

None

9. Approvals

Date

Has this report been approved by the author's line manager?

Has this report been approved by the Chief Executive?