

Hampshire Fire and Rescue Authority

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Developing a Commercial Approach

Report by the Chief Officer

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1 Summary

- 1.1 This report seeks support for HFRS to explore the opportunity to establish a more commercially focussed organisation to exploit future opportunities in the fire sector market for income generation.
- 1.2 Hampshire Fire and Rescue Authority (HFRA) is facing further grant reductions at least for the next 4 years. One option to help offset these funding reductions would be to establish an organisation able to generate income through fire related contracts, potentially in a partnership arrangements. There are various options to establish such an organisation and approval is sought for officers to continue to explore the best approach and report back to the Finance and General Purposes Committee.

2 Recommendation

The Authority is invited to:

- 2.1 Agree that officers should continue to progress the work to create a commercial organisation for HFRA and then to report back to Finance and General Purposes Committee in January 2013 for a decision

3 Introduction and background

- 3.1 HFRA is facing a period of at least a further 4 years when its funding from Government grant will reduce. The Service is seeking opportunities to reduce spending through efficiencies but this will become increasingly difficult. To offset the impact on service provision income generating opportunities could be exploited for the benefit of HFRA and Hampshire taxpayers. A number of other forward thinking fire services have established a commercial arm to generate income.
- 3.2 The Localism Act 2011 extends the powers of the HFRA to undertake work covering a wide area of activities. The Act also enables the Authority to set up either a company (under the Companies Act 2006) or a society (under the Co-operative and Community Benefit Societies and Credit Unions Act 1965). In practice there are a number of different legal models which could offer the Service the ability to develop a commercial arm.
- 3.3 The Fire and Rescue Services Act 2004 specifies areas of activity that must be provided

by fire authorities. This identifies those services which can and cannot be charged for. HFRS would continue to provide its existing services to the public as prescribed within the Act. It would not be seeking to introduce charges to the public for services which are currently free.

- 3.4 We would, however, explore the opportunity to sell our expertise or capacity in non statutory areas. This could include:
- selling surplus capacity (e.g. fleet maintenance);
 - training;
 - specialist services (e.g. specific advice);
 - fire engineering expertise to other public/commercial organisations; and
 - tendering for fire sector related contracts possibly for work with other Fire and Rescue Services.
- 3.5 Although the Service has experience of partnership working, developing such a commercial organisation would be a new activity for the HFRS. It will therefore be important to be clear about:
- the objectives of developing a commercial organisation;
 - the appropriate legal model to maximise opportunities and benefits;
 - financial implications; and
 - benefits and risk.
- 3.6 Taking a more commercial approach is not without precedent. For example:
- Devon and Somerset FRS has agreed a partnership with a private company;
 - Cleveland FRS is seeking to develop a mutual organisation to provide a fire and rescue service; and
 - Essex and Lancashire FRSs have set up commercial arms to their organisations.
- 3.7 Detailed work, including learning from other commercial models, is required but it is expected that the approach will involve setting up a commercial company. The purpose of the organisation would be to benefit the HFRA and the services it provides to the community in Hampshire. Approval is sought for officers to continue to progress this work.
- 3.8 The Finance and General Purposes Committee, on 23 October 2012, considered this topic and agreed that officers should continue to investigate the options available to develop a commercial arm for HFRS and then to report back to the Committee.
- 3.9 Undertaking the legal work needed to establish a commercial organisation with appropriate governance and funding is the first step. The business opportunities will then need to be developed and the delivery of services will need to be carefully planned with a full understanding of the risks/benefits and financial returns to be achieved from particular areas of activity.

4 Supporting our corporate aims and objectives

- 4.1 Within our five priorities we have identified that we are likely to create capacity and generate more revenue by working with other organisations. If successful, a commercial strategy would provide a source of income for HFRS and therefore reduce the impact of

future budget reductions that may affect the service.

5 Risk analysis

- 5.1 At this stage there is minimal risk to HFRS as we are only in the very early stages of considering potential options.
- 5.2 A decision to establish a commercial organisation may create some financial risk which will be considered against the potential rewards when possible areas of work are considered.
- 5.3 A full risk analysis will be developed as part of the project if there is agreement to continue.

6 People Impact Assessment (PIA)

- 6.1 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.
- 6.2 No PIA has been completed as there is no identifiable impact on any person/s at this time.

7 Environmental and Sustainability impact assessment

- 7.1 No Environmental and Sustainability impact assessment has been carried out at this stage.

8 Resource implications

- 8.1 Establishing a commercial organisation will require a commitment from the Service in terms of people and expertise.

Human Resources

- 8.2 The work involved in establishing a commercial organisation will be met from within existing capacity. There will be further requirements as the business is developed but these will be assessed as the business case for particular activities is developed.

Financial Implications

- 8.3 Under current arrangements HFRS can sell spare capacity and generate an income from this. For HFRS to generate surplus income for re-investment would require HFRA to establish a commercial arm. The process and implications of this have been discussed with the HFRA legal team.
- 8.4 No significant implications arise at present although there will be officer time, including legal services, to create the commercial organisation. Future requirements will arise in developing the business and delivering services. These will be assessed as part of the business cases for individual proposals.
- 8.5 Although it is difficult to quantify the financial benefits establishing a commercial organisation there is considered to be a significant potential market for services available. The intention would be that the Service would benefit from the success of this work and income returned to HFRA. This would partially offset the reductions in Government funding over the next 4 years.

9 Consultation

- 9.1 The discussions have so far taken place within Directors, the senior management team and Corporate Management Team.
- 9.2 The intention would be to engage wider staff groups and representative bodies in due course to seek their support and ideas for the work which might be undertaken by the commercial organisation.
- 9.3 If the Authority agrees to proceed with establishing a commercial organisation, a communications strategy will be developed. This will provide information to the public to explain that it will not affect the services that they receive and where they are currently free this will continue. It would also seek to explain why the authority is pursuing this course of action.

10 Conclusion

- 10.1 There would be merit in establishing a commercial organisation, probably a company, for HFRA which would allow it to exploit other areas of work in the fire sector and secure long term benefits.
- 10.2 A company could provide a financial return to partially offset future grant reductions and also develop the capacity and capability of the Service for the future. It is recommended that this is progressed so that the Finance and General Purposes Committee can take a final decision in January 2013.

11 Background papers

- 11.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

None

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.