

The Fire Brigades Union



**Independent Review of  
National Business Case  
(November 2008)  
for the FiReControl Project**



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FIREFIGHTERS  
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COMMUNITIES**

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## Introduction

Dear colleague,

This is the latest independent report from the experts at the Institute of Public Finance identifying key issues regarding the national business case for the FiReControl Project published in November 2008. We thank them for their valuable work in assisting the union, the fire authorities and the Department understand the Project better.

From the outset, the Fire Brigades Union view has been that Government presented plans which under-estimated costs, exaggerated savings and over-sold the (alleged) benefits. There were no realistic timescales and there was no proper understanding of the technical challenges involved.

The project will not, as originally promised, make so much in savings it will pay for itself within five years. While some alleged 'savings' remain in the business case, there is no one in the fire service who honestly believes there will be any.

What does this report tell us? First, it is restricted to the national business case alone, it does not examine how well or how badly the project has been managed so far.

The project costs exceed £1.4 billion over the length of the project. It is bizarre that the Department still insists it is only costing £380 million.

'Savings' have been reduced from 30%, or £25 million in 2006 to 11%, or £8 million in 2008. They may fall further.

Affordability remains a concern at the local and regional level and can only be sustained through 'resilience payments'. Longer term savings are also uncertain.

There are increased project costs. But to make the overall case, these will be met by even further staff reductions.

'Savings' hinge on how robust the staffing model will be in practice. If that model proves deficient, that will be a matter for the regional companies and fire authorities to resolve, not Government which will have passed the buck by then.

One massive set of costs are for the buildings themselves. The IPF underline their original assessment that the property deal entered into by Government, while being affordable, does not represent the best value for money.

The new and much delayed timetable for completion runs very close to the final run in to the summer 2012 Olympics. The national network of regional controls would have to back up and support the new London regional control, assuming they are all fully operational and tested in time.

We hope national politicians, fire authorities, councillors, chief officers and key opinion formers will read this report and learn something from it. Serious issues need to be addressed, and the FBU will keep asking those difficult questions, we only hope that others will really start to join us in doing so.

*M. Wrack*

**Matt Wrack**



# 1 Executive Summary

**1.1** IPF has reviewed for the Fire Brigades Union (FBU) the FiReControl Business Case Part 2 for the FiReControl Project – looking at the implementation of Regional Control Centres (RCC) for the Fire and Rescue Service (FRS) nationally. Our views are based on the information made available in this latest Full Business Case (FBC) and our previous reports on earlier versions, including the Regional Business Cases Part 1.

**1.2** In November 2006 IPF undertook a review of the Full Business Case (FBC) produced to support the Gateway 3b Investment Decision to award the IS infrastructure contract. The Communities and Local Government department (CLG) subsequently issued a further version of the Full Business Case v1.0 (June 2007). This is now the update of that case in preparation for the Stage 4 (Readiness) Gateway Review. Essentially this is a Programme Management FBC and as a living document underpins implementation, award of contracts and project management decisions for the overall programme.

**1.3** IPF has been commissioned to review and comment on the latest version, now out for Consultation until 27th February 2009. A further update of this and the Part 1 Regional cases may issue in Spring 2009 to incorporate comments made in this consultation process.

**1.4** IPF's September 2008 Review of the Part 1, Regional Business Cases, and all consultation responses to that set of documents have not been incorporated into this Part 2 FBC. Key points in our review were:

- The need for Part 2 to explain overall changes, specific comment on what has changed and interaction with previous business cases.

***This is broadly met in the detail provided in the Appendices to the FBC Part 2.***

- Our analysis indicated that the regions where positive savings were made included control rooms in excess of 120 miles from the RCC.

***No clarification or indication of these factors is considered. The Mott McDonald case seems to have been based on a political objective to align regions with Government Offices.***

- Accommodation costs needed revision.

***This is now done and included.***

- Test the timeline for transfer to LACCs and regional operations.

***There is some evidence that this is being addressed and continues to cause concern about meeting completion dates.***

- Decisions on staffing levels, sensitivity testing of the case against changes, and the finalisation of RCC operational arrangements are with the LACCs.

***The realization of benefits remains open until operational handover is complete in 2012/13. This leaves questions about final staff numbers and efficiency savings yet to be proven. The issue will be around what decisions the LACCs have to make to meet CLG management objectives and LA financial constraints.***

- Success criteria and "out of scope" elements needed clarification.

***These have been addressed in Part 2 with some outstanding matters, to be resolved, identified.***

**1.5** The latest Part 2 FBC is 54 pages long, and broadly similar in layout to the earlier FBC and has twenty one Appendices attached (147 pages) which go into greater detail on the project. The emphasis is now moving towards the establishment of the Local Authority Controlled Companies (LACCs) in each region and their decisions in taking on the operational implementation. Their more detailed operational performance targets, completion dates and responsibilities should now be emerging in readiness for full operational handover into the steady state by 2012/13.

**1.6** It is evident from this Part 2 revised National FBC that all major investment decisions have been taken and the project is well into its delivery phase. The business case analysis has now added three years, extending the figures to 2020/21, to fit with the life time of the contracts entered into for provision of the ICT infrastructure and RCC FM. The impact of this alone is to increase the NPV and total costs by about £200m. Thus the current total cost exceeds £1.4 billion and the NPV is now £1091m for the Regional Control Centres base case.

- The FBC states that "eight of the nine buildings have achieved effective completion and work to fit them out with the new Information and Communication Technology infrastructure has commenced." Key staff are now appointed and through division into the Part 1 Regional Business Cases for each region, **the focus is moving towards operations.** The outstanding RCC is London which has the benefit of an existing managing authority (the LFEPA).

- *"The project is now aiming to achieve cut over to the first three regional control centres in the North East, East Midlands and South West in Summer 2010 – nine months later than previously expected, with the full system expected to be in place by Spring 2012 – five months later than originally planned."* With the London Olympics in Summer 2012 **there is practically no further room for slippage.**
  - Facilities and estates management services for all nine buildings have been contracted out to VT Flagship with effect from 1st October 2008. **Price certainty is therefore now fixed for this element of the future running costs.**
  - In March 2007, CLG signed a contract with the European Aeronautic Defence and Space Agency (EADS) for development, delivery, maintenance and support of the new networked control systems. This includes the provision of all necessary hardware, for the new buildings and in fire stations and other FRS buildings. The FBC now states that *"it is necessary to reschedule elements of the project to reflect a number of technical challenges that have arisen"*. Clearly the detail is giving rise to some practical issues that require collaboration and input from all stakeholders to optimize and make effective the technology. **An important area seems to be the interface with existing appliance communication equipment and operational controls.**
  - The Summer flooding in 2007 led to a review of the FRS response to the floods and a report by Sir Ken Knight "Facing the Challenge". Appendix V "Spate" has been added. The review **confirms and supports the benefits of the FiReControl Project** in relation to such national events. However it does not take on board the absence of reference to the RCCs in the Pitt review proper.
- 1.7** CLG has provided the funds to create the new infrastructure and is committed to funding the change and transition, applying the "New Burdens" principles. The accountability for future operational requirements, organisation and resources will transfer from Regional Management Boards to the Local Authority Controlled Companies. **The FBC project cost projections may be examined in three parts: costs to date, costs to 2012 when RCCs become operational and from 2012/13 when the steady state operations begin. CLG commitment is to establish the RCCs and pay for all investment to handover to LACCs as a national operating system.**
- 1.8** The FBC says the appeal for firefighters is in safety through improved information and better equipment. For control room staff it is the access to and use of the equipment, information systems and ability to access additional resources. The new buildings afford facilities that will meet Critical National Infrastructure Standards. The ICT and information systems will integrate with a wider network and deliver better support. If functionality is achieved this will enable firefighters to arrive at incidents better informed through the in-cab communication infrastructure.
- 1.9** Appendix D of the FBC considers the FBU proposal on resilience controls but concludes *'As the project has moved into the delivery phase, it would be an inappropriate time for a major review of FiReControl Strategy or to change the chosen mechanism for delivering a nationally resilient network.'* This effectively closes out any reconsideration of the network arrangements from a locational perspective.
- 1.10** The costs of implementing the project have increased from £857.5m to £971.6m (13.3%) based on 2006/07 prices, between the June 2007 FBCv1.0 business case and this Part 2 FBC. The £971.6m includes firm prices for the London RCC, and the national Facilities Management procurement. Appendix I provides information on the cost movements. **Some of this recognizes our earlier review comments and the need for more thought through training and transition arrangements.**
- 1.11** Annual efficiency savings on the control service costed at £21m (or 28% of the annual running costs of the current control centres) **have now been reduced to £8m (11%) or £145 per 1000 head of population.** The reasons given are:
- Independent validation and reduction in assessment of existing control room costs;
  - RCC accommodation increases; and
  - Better understanding by CLG as to the practicalities of operating the RCCs.
- 1.12** This can be contrasted to the FBCv0.3 October 2006 which declared efficiencies of 30% (£25m) and £500 per 1000 head of population served. This business case is based on fuller cost certainty and shows more realistic estimates of training, cover and transition arrangements. Similarly the actual contract costs are better known. **The total cost now exceeds £1,400m** including elements arising from the New Dimension extra inputs and the extended timescale included in the analysis.

**1.13** The Staffing model has now been tested and **its outputs are more rigorous and robust than in earlier business cases**. Staff numbers were provided back in 2004 by the Fire and Rescue Authorities (FRA).

**1.14** CLG will meet the costs of setting up the FiReControl system. In terms of funding the June '07 FBC this was £340m and is now increased to £380m. This continues to demonstrate CLG's support for ensuring the FiReControl project is completed. It also continues to raise questions as to whether adequate understanding of the project and funding was in place when the investment decision was taken to proceed. The scope of the original project has changed since the investment decision was made, and significant additional costs have been required to effectively manage the project and the transition from the existing 46 control rooms.

**1.15** The key contracts are now in place and there is greater certainty on project costs. This is reflected in the low potential further increases in expected costs shown in the Appendix L assessing the remaining Optimism Bias. This suggests the expected outturn may increase costs further and that the ultimate business case may only result in £7m of efficiency savings or a 10% reduction in annual operating costs.

**1.16** This review suggests that **the project costs could usefully be presented to reflect progress in three parts: what has happened, what needs to be done to reach steady state, and the steady state or operational situation. In each part the expenditure can be separated out into incurred, committed and forecast.**

**1.17** The Fire Control Finance Working Group (Appendix Q) has yet to develop the model for cost apportionment, working with FRA's to separate out and report the costs of providing control services from their accounts. This is fundamental to confirming the final accuracy of the Gateway 4 (readiness) full business case. Our previous question remains that careful consideration must be given to the apportionment of the operational costs amongst the FRA within each region, with regard to any potential impact on levels of precept on Council Tax. It is our view that **special direct grant allocations may be preferable to the proposed inclusion of these amounts within the Revenue Support Grant.**

**1.18** In general at a headline level the costs and changes are explained and detailed. It is stated that the audit trail is available to support these

figures now included in this FBC. The impact and emphasis will now move to the detail of what happens at a regional level in negotiation and execution of management responsibility by the LACCs. The process for this regional presence and its function with the RCC operations may lead to later integration and sharing of other FRA functions.

**1.19** The outstanding issue is therefore knowledge of how the allocation mechanisms will work and the practicalities of how local FRA decisions will support the LACCs and operation of the national network. A clearer **statement of the project costs and the funding trail would facilitate an understanding of the longer term robustness of the project.**

## 2 Background and Context

- 2.1** The FiReControl Project has been developed by the Government to implement and provide Regional Control Centres (RCCs) for Fire and Rescue Authorities nationally. The RCCs are to be managed by eight Local Authority Controlled companies and the London Fire and Planning Authority.
- 2.2** The concept arose from an initial study carried out by Mott McDonald in 2000 (subsequently updated in 2003). The aims of the project remain as stated in their work. The FBC extends the original time-line to accommodate delays in cutover of the integrated system and includes substantial elements for project management, transition and management.
- 2.3** An Outline Business Case (OBC) was produced in November 2004 which was approved and a Full Business Case (FBC) v0.3 produced (October 2006). This was updated (v1.0 issued in June 2007). The Business Case has now been divided into two parts the first to cover the Regional Centres and is written for each region, Part 2 brings these together into the national programme. It is this second part that largely follows the format of the previous business cases and connects the programme aspects.
- 2.4** The FBU has commissioned IPF, in an independent capacity, to review the Part 2 business case. We reviewed and commented on Part 1 in September 2008. Our views are based on the information made available for consultation by 27th February 2009.
- 2.5** This report:
- Compares and comments on this FBC in relation to the previous business cases.
  - Considers and links to the Part 1 Regional Business Cases.
  - Reviews and up dates the recommendations included in the previous IPF reports issued in November 2006 and in September 2007 and 2008.
  - Comments and makes further recommendations.

## 3 FireControl Business Case Part 2

### Draft Part 2 FiReControl Business Case

- 3.1** The present Full Business Case and Regional business cases may be re-issued in the Spring of 2009 following this consultation process. This would seem necessary given the change in property values and economic circumstances. A sensitivity analysis to show the full range of present possible scenarios might show a different expected outcome. Previous comments on the regional case need to be incorporated to see how the integration of Part 1 and Part 2 fit together.
- 3.2** A weakness in this Draft of the Part FBC is that it doesn't take account of the comments made in the consultation on the Part 1 Regional Business Cases. The update identifies progress to date, where issues are unresolved and the matters yet to be fully addressed. Many of these are connected to points previously made and our recommendations for clarification.
- 3.3** There are technical challenges to be overcome around the ICT and communications systems. The regional cases are now effectively taking over resolution with the LACCs, issues of staffing numbers, operational costs and LA funding support. The forecast reduced savings, now down to 11% or £8m are result of:
- Overestimating previous control room running costs;
  - Increases in Accommodation costs;
  - Extension of the project timeline from July 2020 to April 2021 and
  - Some savings from changed ways of working being not so likely.
- 3.4** The FBC Part 2 demonstrates the decreasing level of efficiency savings partially as a result of improved understanding of local issues. The increasing involvement of FRS staff is essential if the real benefits are to be well-defined and realizable on completion. Affordability continues to cause concern at the local and regional level, and is only sustainable in the short term through resilience payments. **Until the mechanisms are better defined some uncertainty remains that the on-going support will not be as transparent as necessary to validate expectations for longer term savings.**
- 3.5** Assurance is given that "Payments to FRS, for additional costs will continue to be met. "The Financial case states that the mechanism is not clear for "resilience payments". It isn't clear what may happen if other regional cases change and more require these additional "resilience" payments.
- 3.6** The Strategic Case mentions increasing numbers of incidents and positively sets out all the new advantages that the system will offer for consistency, coordination and quality of information, leading to saving of lives. To a layman it is not certain that the location of the RCCs is right to be aligned with the Government offices or what will happen if further centres become necessary. It is perhaps possible that future developments will be towards more mobile control centres or shared facilities.
- 3.7** There is reliance on CLG and LGA to represent Local Government views. However until the LACCs are up and running the nature and influence of local decisions on the national system remains open and may lead to further erosion of efficiency savings. The Optimism Bias analysis suggests a further decrease of 1% may be expected.
- 3.8** The FBC shows clearly the commitment of CLG to ensuring delivery by moving some costs into the Management category and increasing the National Project Team expenditure. This reinforces the view made previously that initial understanding of what is required to deliver this scale of project was incomplete.
- 3.9** The sharing of tasks with the FRAs is not yet worked out and so aspects such as interim costs, problems with legacy systems, and transitional arrangements may continue to feed into project cost creep. These and some of the detail provided in the Appendices reinforce earlier review comments about the robustness of some assumptions made in previous drafts. The FBU has argued for closer involvement of operational staff and this continues to be an area for final resolution before readiness for operation.
- 3.10** Commercially the FBC updates costs and estimates with a substantial level of certainty. However up until effective completion, changes may arise. Until then there will remain questions around the funding of both transition and affordability of the operational system. CLG are committed to their present financial horizon of 2011, after that firm commitment will be necessary once further detailed costs are known. This FBC offers better accuracy of first costs of putting the system in place and therefore sets an improved baseline for future changes.

## Appendices

**3.11** The following is IPF’s comment on the content of the twenty-one appendices where it may affect FBU’s understanding or comment on the FBC. The comments refer to earlier recommendations where applicable.

### Appendix A: Context:

- Part 1 Provides the case for change, linking Legislative changes, policy reviews and studies to the overall vision for the FiReControl projects
- Part 2 The Need for Immediate Action: provides background on the environmental, political, social, technical and economic factors for change

The section shows how high level objectives for the project link to Appendix B Success Criteria without explicit cross referencing or measured setting of targets.

### Appendix B: Success Criteria

Provides a high level summary of the objectives for the project and the criteria for measuring successful delivery of business objectives

The success criteria were set out at the beginning of the project and so there is a benchmark to measure success and performance of the project overall. The sub-objectives have not been built upon in terms of providing a document mapping the steps involved to realise the objectives/benefits and within what timescale. So the series of milestones within the project plan to monitor the progress of the project overall is not visible.

### Appendix C: Constraints

The Appendix summarises the constraints identified in achieving the business objectives and the actions in place to mitigate.

The development of the regional project plan programmes, with their investment decisions and the governance organisation for linking back to this FBC, is now critical. The regional business cases and the Framework for the Development of Transition Plans should show the detail to give the assurance for timely delivery of the programme.

### Appendix D: The Fire Brigades Union’s Resilience Control Proposals

Provides a summary of the proposal and a response in terms of why the proposal should not be adopted. The effective completion of the RCC buildings and progress into the ICT infrastructure

stage means this is now to be addressed through working to ensure effective operational arrangements are made.

### Appendix E: Concept Definition

Provides a summary of previous studies leading to the decision to implement nine regional control centres, which is still fundamentally based on the Mott MacDonald study (April 2000), updated in 2003. The options appraisal and selection of a preferred option/investment decision for the FiReControl project was made at this time.

The project has now moved on and the evidence of changes in resilience and savings by region may suggest that the threshold criteria of 30,000 incidents may not have been the best approach. The indication of our analysis of the regional business cases suggests savings are robust in regions where the maximum distance for control room closures is 120 miles away. A configuration based on this criteria may not have fitted with the political alignment with Government Offices. Where the area was formerly more compact the opportunity for saving appears to be less.

### Appendix F: Assessment of Benefits Contribution

Appendix F provides a summary of the FiReControl benefits profiles.

It would be helpful to see measurable targets included within the table to be able to assess that business benefits have been realised. The high level of the expected benefits remains unspecified and it is possible to argue with the benefits identified for example E1 “economies of scale” seems to diminish as the efficiency savings decrease. Yet the real benefit of access to improved technology and infrastructure to better inform incident effectiveness might seem by some to be a greater value operating efficiency.

### Appendix G: FiReControl Costs and Savings

This appendix presents the figures which form the basis for the headline costs and savings presented in the Full Business Case, showing a 2004 Baseline NPV of £880m against the **Part 1 and Part 2 Regional controls position (base case) NPV of £1091.2m**. The table also shows a net cost and savings position showing changes totaling £210.8m in NPV. No detailed commentary explanation of changes is provided here. Some comparison and commentary is supplied in later appendices H and I.

In summary another way of presenting the change in the figures is:

	<b>Expenditure to 2007/08 £m</b>	<b>To completion in 2011/11 £m</b>	<b>In operation 2012/13 – 20/21 £m</b>
Change (extra cost)	47.1	213.9	-60.5
Staff	0.3	41.5	-220
Accommodation	3.6	62.3	146.9
Infrastructure	-11.1	64.9	11.5
Management	–	-0.2	-0.9

This shows the substantial change in short term costs to complete the project, the increase in management and transition costs and yet a continuing optimism that operational costs and staff efficiency savings will be delivered. The control of those costs will be with the LACCs and as the accommodation cost commitment is now firm the scope for decision-making will fall largely on staffing choices. To make the overall case the increased project costs are expected to be met by further staff reductions.

The annual efficiency saving of £8.1m (or 11% of the annual running costs of the current control centres) is derived from the FY2013/14 within the workings of Appendix G. This is deemed to be the first full year under steady state operating conditions, entered into in 2012/13, i.e. the first year in which there is little spend on new ICT infrastructure.

#### **Appendix H: Disaggregation of Fire Control Costs**

The Appendix separates out the forecast costs of operating existing control rooms from the costs of implementing and operating the new regional control centres.

These costs are increasingly accurate in as much as they reflect past expenditure and a clearer understanding as to future expectations. In this regard it is understood that they contribute to the reductions in efficiency savings now forecast. The comparison and analysis of cost changes is supplied in Appendix I.

#### **Appendix I: Comparison with the Interim Full Business Case**

The Appendix sets out how circumstances have changed and thinking moved since the freezing of assumptions which support the FBC and its subsequent revision in June 2007. We have not had sight of the audit trail that is understood to be available recording changes in the FireControl business case assumptions log.

The absence of reference to the recent downturn in property prices and economic situation suggests that no evaluation has taken place of the Accommodation costs as they might have been if the new contract had not been completed. The actual circumstances today are likely to be outside any sensitivity testing done at the time of negotiation. The impact of this element in the Headline costs accounts for almost 50% of the additional costs to be partially offset by improved staff savings. The overall increase is £114.1m or 13.3% of the June 2007 FBC total of £857.5m in cash terms. The total is now £971.6m, excluding the existing control room operating costs.

The full business case costs of £1,428m include the expenditure from the start of the project on the existing control rooms, as a result of the project these will not include investment or refurbishment costs that would have arisen without the RCCs. These existing costs are also firmer as for the first few years these are actual and now based on better knowledge and apportionment than in the early business cases. The FBC states that there is an audit trail now in the project archive as to how these have changed.

Management cost increases have contributed the other 50%, in part to reflect the increased period to handover and the addition of national project team cost elements. The price certainty around infrastructure has yielded a small offset saving.

The staffing transition cost has doubled to take proper account of requirements for staff cover and to ensure more effective training is provided, or because this element had not been thought through earlier in the programme. By increasing the transition training costs there is some saving in steady state training requirement. This may be welcomed as showing a more effective way of making the operations robust.

There are staff savings according to this FBC as a result of the use of the staffing model.

The concern here is that the LACCs will have to resolve any issues if in practice the model is proved deficient. The potential conflict is then between CLG expectations and commitment to support, and the LACCs' ability to deliver.

#### **Appendix J: Economic Effect from Adopting a Private Developer Scheme (PDS)**

The Appendix shows the effects of the PDSs on cash flow and overall costs. The principal benefit to the scheme is in the smoothing of funding through transition. However there is an associated long term cash flow implication for the total cash cost and annual cost in the steady state operation (£8m and £12m respectively). The earlier comment, made in our November 2006 review, remains valid:

"Clearly this although this option is more affordable, it does not represent the best value for money. This means that the move from capital costs to revenue for the RCC accommodation (through annual rent payments rather than capital expenditure) is easier to afford and is better in cash flow terms, although over the long term, it would be cheaper to make use of capital expenditure."

#### **Appendix K: Active Risk Management**

The Appendix provides evidence that project risks are actively managed. This is a numerical analysis for project management purposes. There is no financial analysis or measure of changes in the potential impact of the risks.

#### **Appendix L: Optimism Bias**

This section provides a detailed analysis as per the Treasury Green Book. The assessment and impact of optimism bias follows the recommended method and reflects the advanced state of price certainty for buildings and infrastructure costs. The analysis is tabulated in three parts: buildings, ICT infrastructure and the provision of ongoing maintenance and shared services.

The important headline issue is that it continues to show savings in the steady state condition even with the residual potential impact of the bias, reducing the level from £8m to £7m or 10%. This also reduces the potential savings from £145 to £133 per 1000 people. The implication being that the LACCs will be able to operate at lower costs overall than the existing arrangements. Similarly the forecast of time delays, at about four months for initial introduction of the ICT infrastructure, appears to make robust the completion date in time for the Olympics in 2012.

#### **Appendix M Project Risks**

Appendix M holds the project risk register. As we commented before "many actions are listed but few have an owner or a due date. In line with best practice with regard to risk management, all actions should be assigned a responsible and accountable person with associated timescales."

The risks and mitigation actions are becoming reflective of the advanced state of the investment in buildings and ICT infrastructure, and an improved understanding of the managerial, governance and operational arrangements. The outline actions substantiate the view that the LACCs and robustness of the staffing model in the steady state will ultimately determine the success of the FiReControl project. The comments indicate that there may be issues emerging at the Local level without identification of the specifics.

Risk No 107 on page 147 is probably most important to focus on now as it will impact differently in each RCC area on the FRAs concerned.

#### **Appendix N: Commercial Deal**

Sets out the commercial deal sought for FiReControl in terms of:

- What was the procurement strategy?
- What procurement routes were adopted and how they have delivered value for money?
- How will the contracts be managed to ensure value for money?

The procurement strategy has led to the integration risks of the national regional control network resting firmly with CLG. This approach clearly separates out the ongoing operations from the provision of the RCCs. The resilience funding of negative benefit situations at the regional level is a feature of the CLG commitment to make it work. The downside is the ownership and operational responsibilities for the LACCs and FRAs may lead to difficulties in the final stages of implementation and handover.

The evaluation of options indicates that the Property Developer Scheme (PDS) may prove more costly than a fragmented build and fit out by the Crown. Some of these costs have been committed and are now a part of the ongoing operational costs and reduce the original savings estimates. This has a smoothing effect through transition that is paid for later. The analysis doesn't alter our earlier report conclusions that value for money is not proven. A subsequent project audit may be

able to assess the impact of the changed property market conditions on the value for money achieved by these decisions.

### **Appendix O: Funding Sources and Commitments**

This Appendix summarises descriptively at a headline level the Resources required and where they will be funded from. It doesn't actually show financially what is contributed from where and how the funding of the project is made up in its constituent parts. A table showing funding and who pays could be constructed to show how the cash flow set out in either Appendix G or H is met. For example where is the £380m grant from CLG spent against these costs?

The table lists resource requirements and who will bear the cost (see commentary for Appendix Q with regard to funding of actuarial strain). A number of costs are to be funded by FRAs, though the FBC makes clear in relation to staff redundancy/recruitment costs that '*Communities and Local Government will fund under the New Burdens principles*'. The contribution to the RCC's from Fire Authorities remains to be quantified with likely funding available via the New Burdens scheme.

The New Burden scheme is based on FRAs making claims yearly in advance of expenditure; it not clear if the actual expenditure in excess of the s31 grant can be claimed retrospectively.

### **Appendix P: In-Service Costs for the FRS**

The material formerly in this Appendix has been absorbed into other sections and into the Regional business cases, where operational costs are now to be considered. No specific statement is made nor guidance given as to where and how the content of this former Appendix has migrated.

### **Appendix Q: FiReControl Finance Working Group**

The role of the Finance Working Group is set out both in regard to finance and governance. The two are interlinked as funding decisions need to be executed at National project level during investment and transition by CLG and then regionally by FRAs and LAs through their support to the LACCs. LAs will meet costs through the Revenue Support Grant (RSG) which is less transparent than by a specific formula grant.

The expectation remains that:

- Local Authorities will meet the costs of operating regional control centres, and key supporting national functions, from their share

of the Formula Spending Share (FSS) rather than a specific formula grant. It is up to the FRAs in the region to which the RCC is located to determine the allocation mechanism.

- The department recognises that New Burdens (NB) principles should apply to the resource required to support FiReControl transition. Funding is by Grant (i.e. s31 grant) to reclaim net additional costs.

Given that some regions require resilience funding, it is not clear how the "allocation mechanisms" will work in practice. The FBC leaves these to be determined at some future date by the "regions themselves".

The funds have been provided to date for the project and transition and are committed to 2010-11. However further delays might require continuation of support on this basis into 2011-12. Similarly this appendix leaves open the funding of "Existing Pension Liabilities and Actuarial Strain" and the "Resilience payment". The actuarial strain is the additional cost to the FRAs of making up the contributions to the pension fund of the early release of staff on enhanced pensions. It could be argued that this cost is directly related to the FiReControl project and as such should be funded under the New Burden scheme. The mechanism for assessing this has yet to be developed.

### **Appendix R: Project Scope**

The following continue to be Out of Scope for the FiReControl Project:

- Fire and Rescue Control Services in Northern Ireland, Scotland and Wales. However, Scotland and Wales have the opportunity to join FiReControl
- The disposal, re-use or refurbishment of existing fire and rescue control rooms made obsolete by the creation of the RCCs
- Interim upgrades to existing control room infrastructure required before transition to the new solutions

However it has now been accepted that

- Upgrading of existing technology infrastructure in FRAs to receive or pass information is in-scope.

**The FBC does not identify the costs associated with the 'out of scope' activities. Therefore it would aid transparency to review 'out of scope' activities and potential costs for FRS's.**

### Appendix S: Project Governance

The developed organisational chart illustrates the complexities of the project. The FBU is not specifically shown and it must be assumed considered only to have a role as a "representative body" between the "employer's organisation" and the "FRA Staff". The key point is made in paragraph 361 of the "need to standardise many aspects of the future control function across the regions for the vision of regional controls to be achieved". This highlights the potential conflict with local decision-making especially around resource allocation and working arrangements.

### Appendix T: Regional Control Centre (RCC) staffing assumptions

The key questions are around staff numbers in the LACCs, requirements for maternity and paternity leave cover, how numbers change through transition, and any allowance for management overhead. At paragraph 372 the FBC admits it is impossible to accurately forecast numbers and costs hence the case remains indicative. The detail starts with the model and contents of the next appendix before being sustained now through the developing Regional Business Cases.

### Appendix U: Staffing Model Detail

This section provides some of the detail that has been missing. It also helps to support some of the figures used in the Regional Business Cases. In its opening paragraph it also reveals the inherent tension that has been present in the development of the business case between the fact that "The staffing number for Regional Control Centres (RCC) control rooms is the single most important assumption in the business case" and that it is "up to the LACCs to decide actual staff numbers...".

The fact that the LACCs will have some autonomy to set shift and roster parameters limits the accuracy of the model and raises questions as to what will happen locally when proposals are examined. A comparison and check is needed against current working practices to confirm the appropriateness of the assumptions made.

### Appendix V: Spate

The flooding in July 2007 has provided reports and information that has been used to test mathematically the operational load that might be put on the new system. This enables the Model to review the network's ability to operate under these stretch conditions. It highlights assumptions under which the network can meet the demand put on it. These are around the approach to:

- Mutual Aid agreements: Recall and flexing;
- Queuing and batching of less urgent and non-life risk calls;
- Non-emergency calls not dealt with;
- Possible splitting of initial call handling and follow-up action.

## Project Management

**3.2** The major investment decisions that will affect success and project delivery in the proposed timescales have been made. Key investment, contract ICT and FM commitments are made and lead to improved project time and cost certainty. The residual outstanding matters are assessed and estimated in the Optimism Bias analysis at Appendix L together with the ongoing Project Risk Management.

**3.3** The FBC is now dependent on the fuller development of the regional delivery programmes, especially in relation to the staffing and operational arrangements. The linkage between decisions at the national level and delivery of the savings locally relies on the outcome of the development in the regions of the unspecified Fire Control Finance Working group "allocation mechanisms". This is fundamental to confirming the accuracy of the business case, achieving acceptable apportionment of costs to FRAs, LAs and delivery of net savings. The Business Case empowers the LACCs to manage with its stakeholders any net costs beyond those foreseen in this analysis. If net savings are delivered then parties will decide who benefits most, and if there are extra costs then the local debate will have to determine who meets any additional payments.

## Regional Project

**3.4** The financial success depends on the ability of decisions at the regional and local level to deliver the benefits. The principal factor in sustaining the operational or steady state benefits is the reduced staff numbers. The Regional business cases now show where there are winners and losers. Although this Part 2 FBC continues to show savings at the aggregate level there are regional losers supported by resilience funding in the short term.

## 4 Update on the Recommendations from September 2007 IPF Report and Regional Case Review September 2008

4.1 Two of the main recommendations arising from the September 2007 review were to:

- Monitor the work of the FiReControl Finance Working Group in relation to cost apportionment models, capturing current costs within FRAs and any reports on Actuarial Strain.

**This continues to raise concerns although significant progress has been made around the firmness of some costs, the allocation mechanisms remain to be set.**

- Each revision to the FBC to contain an Appendix commenting/reconciling to the original OBC and previous FBCs.

**This has been addressed and may be expected to improve as completion approaches.**

4.2 The points raised in IPF's last report have been revised with comments above in Section 3, Appendix by Appendix. Those that remain outstanding are:

- Clear cross referencing between deliverables and success criteria is not provided;
- Detailed project plans showing clear milestones and deliverables are not presented. The assumption is that they now exist at a local level for each regional control centre;
- The levels of precept will not be clear without a full exposition of the allocation mechanisms and clarity of local funding and contributions to the project;
- The answers to many points remain in what happens locally. This programme level aggregation can only make robust at the higher level. The responsibility for delivery of this detail is now being moved towards the LACCs.

4.3 It is gratifying to read that in laying out this FBC some of our former points have been addressed and that comparison with earlier information in versions of the business case is presented. A point in our report on the regional cases showed the RCC locations where savings are expected have been those where existing control centres have been closed at a distance of more than 60 miles from the new location.

4.4 It is not apparent that there has been any learning or testing as to whether there are options for further RCCs or building up of other existing control rooms that might have achieved a better solution. The fixed point in the original Options

Appraisal is to align RCCs with Government Offices. This may suggest a speculative question as to whether the project may facilitate future rationalisation of FRAs into regional organisations based on the LACCs.

4.5 Effectively the FBC has passed the local detail to the Regional Business Cases on operational and future support issues. The FBC Part 2 deals mainly with the FiReControl Project to put in place the new buildings and infrastructure. The project is now at an advanced stage and the business case for the project has less impact on the decisions yet to be made, it is more a means for showing progress on delivery of the benefits. Connection between the regional cases and the overall FBC remains therefore important in linking what was expected to what is being delivered at both national and regional levels.

4.6 We attach, as an **Appendix**, an overview of the comparison made in our review of the Regional Cases with update remarks on whether the Part 2 FBC provides any further information. The overall conclusion is that to respond to the points made would require a re-issue of both Parts 1 & 2 after consultation is complete in the Spring of 2009.

## 5 Recommendations from this Review

- 5.1 The project is now well-advanced towards completion. The project similarly may be **reported on and shown as what has happened to date, what is required to achieve the steady state, and what happens in the steady state.** Within these elements it would be helpful to summarise the project expenditure into three categories:
- Incurred;
  - Committed;
  - Forecast or expected
- 5.2 The Regional Business Cases Part 1 show how there is a requirement for resilience funding of some Regional Control Centres. There is no analysis or **consideration at this stage as to whether the best option has been pursued.** The recommendation of the original consultants study built on the need to align control areas with Government offices. It is not clear whether a more operational focused solution would have offered a better service network. Or is there an un-stated objective to move FRS services towards regional operations?
- 5.3 The outstanding detail that underpins funding of the steady state operations is the determination of the allocation mechanisms. This Part 2 FBC goes no further in enabling confidence that the Regional Management Boards will ensure there is no impact on Council Tax. We believe it is important that the mechanisms are **made specific to the support of the network of RCCs.** It is therefore necessary to ensure these costs and funding is more transparent.
- 5.4 The Appendix O on Funding of the project is rather descriptive. It could present a more clear statement of how and from where each element of the £971.6m project is funded. This would **show how the grant money is used and from where future application of CLG resilience funding will be provided.** Nowhere in the FBC is it set out what the £380m spent by CLG has been applied. Similarly this will **indicate what has to be allocated to LACCs by the FRAs and from where their finance is supplied.**
- 5.5 The separation in timing of the Part 1 and Part 2 business cases and the consultation, seems to make it inevitable that there will be a re-issue of the Business Case in the Spring of 2009. We would **recommend that this is used as an opportunity to address the above points and in particular set out more clearly the financial expenditure and funding expectations.**

## Appendix – Update on Part 1 Review, outstanding issues

The table below is copied from our Review of the Part 1 Regional Business Cases, with further comments added in **bold italics**.

Point/issue	Earlier Comment	Updated View
<b>Project Deliverables and Success Criteria</b>	<p>Define and prioritise project deliverables with more detailed performance targets.</p> <p>Links to 'Success Criteria' should be clearly made. The success criteria sub-objectives should be built upon in terms of providing a document mapping the steps involved to realise the objectives/benefits and within what timescale. This will then provide a series of milestones within the project plan to monitor the progress of the project overall.</p> <p>It would be helpful to see measurable targets included within the table to be able to assess that business benefits have been realised.</p>	<p>The regional business case describes the overview objectives and purpose without any more detail.</p> <p>Success will be in future operational gains and effectiveness. As before this is not specifically defined, and judgment on gains, methods and achievement is now passed on to the LACCs.</p> <p>Measurable targets are not provided at the regional level.</p> <p><b>No further clarification made in Part 2.</b></p>
<b>Investment decisions and governance of programme</b>	<p>Where actions have been identified it would be helpful to see links to further investment decisions, completion dates and responsibilities assigned within this table.</p> <p>The development of the regional project plan programmes, with their investment decisions and the governance organisation for linking back to this FBC, is progressed as a matter of priority.</p> <p>It would be helpful to see the link between the original list of business requirements and how they are mapped to the transition plans.</p>	<p>As above, this is being moved out to the regions. CLG are absorbing initial and transition costs, making operations local responsibility.</p> <p>There is no evidence of programme inter-linking.</p> <p><b>Nothing added. It would help if the tables showing costs made explicit both expenditure status and funding routes.</b></p>
<b>Annual efficiency savings</b>	<p>A detailed analysis of efficiency savings by type.</p> <p>Seek an explanation for the decrease in the annual efficiency savings included in the original investment decision of £115m to current indicative annual efficiency savings of £23m.</p> <p>An explanation is sought as to the reason why the £32.9m NPV seems to be at odds with the £50m quoted in paragraph 76 of the FBC main report.</p> <p>The marginal net incremental cost of £1m in cash terms, the £32.9 Net Present Value (NPV) and the £23m annual efficiency savings are treated as indicative until the actual costs of the London accommodation procurement and Facilities Management procurement are known, in addition to the comprehensive review of the staffing model and better estimates of the costs of running existing control centres being reviewed.</p>	<p>The resilience commitment and table of short term operational costs shows an immediate lack of achievement of annual efficiency gains across the board.</p> <p>It remains unclear as to how the situation has changed.</p> <p>We await the national case to see whether the overall claims for medium term savings are now any different.</p> <p>These previous points are still valid:</p> <p><i>"The potential material impact on the overall costings with regard to the sensitivities around the staff savings should be noted.</i></p> <p><i>Detailed workings should be sought to verify the staffing costs".</i></p> <p><b>Clear efficiency savings are reduced at programme level to £8m or 11%. Expected outcome is to £7m or 10% if optimism bias is included.</b></p>

Point/issue	Earlier Comment	Updated View
<b>Costs and savings</b>	<p>Fire control costs and savings: It would be helpful to have a commentary on adjustments that have been made to these forecasts since the original business case was approved, particularly in relation to assumptions.</p> <p>It would be helpful to have a commentary on adjustments that have been made to these forecasts since the original business case was approved and the impact of changes i.e. what is the impact of not using actual figures for fire service costs (2004/5-2006/7), what are the adjustments for 'other contextual factors' and what does 'other contextual factors' mean?</p> <p>Clarification is required to ascertain what the assumptions are underpinning the 'more rapid rollout', with regard to the £8.1m savings in Management costs.</p> <p>More detailed analysis is required to identify how and where the £79.2m cost avoidance opportunities are to be realised.</p> <p>As highlighted in the commentary to Appendix G it would aid transparency to clarify the 'different basis' upon which the two sets of costs and savings in Apprentices G and P were prepared.</p>	<p>These comments remain.</p> <p>Modified assumptions will lead to changes and adjustment in cost calculations and assessments. This confirms the need to show the linkage from before to now in presenting each business case.</p> <p>Part 1 Section 1 of these cases at par 1.27 in summary this says:</p> <ul style="list-style-type: none"> <li>• Substantial savings may not be immediately realizable;</li> <li>• Onus moves from CLG to LACCs and LFEPA to deliver;</li> </ul> <p>Not clear how much gain is assumed from sale of control rooms (something of great uncertainty in this economic climate), reorganizing core/non-core functions into RCC and leasing spare space.</p> <p><b><i>The Appendices to part 2 explain the headline changes from the 2004 Base case, without addressing the specific points made earlier. We believe it would be helpful at this stage to show expenditure as:</i></b></p> <ol style="list-style-type: none"> <li><b><i>1. Incurred</i></b></li> <li><b><i>2. Committed and</i></b></li> <li><b><i>3. Forecast</i></b></li> </ol>
<b>Impact on Council Tax</b>	<p>A timetable is produced which sets out the anticipated dates when the FRAs become responsible for the operating costs of the RCC (it is acknowledged that the CLG has stated that it will publish the project timetable for each region and for each FRA).</p> <p>Careful consideration is given to the impact on levels of precepts on Council Tax for FRAs in relation to the apportionment of costs to FRAs within each RCC.</p> <p>It would be helpful to quantify the likely cost to local authorities and to clarify whether it is assumed that transition costs will be funded by redundancies.</p> <p>Clarification is sought to ascertain that if actual expenditure is in excess of the s31 grant (which is claimed in advance of expenditure) this excess can be claimed retrospectively.</p> <p>Clarity is given to the point at which the FRAs will become responsible for their share of running costs within the RCC; will it be when each RCC becomes operational individually or when all nine RCC become operational?</p> <p>It would also aid transparency to provide a definition of 'operational'.</p> <p>Clarification is sought with regard to which organisation would receive the £9m (£23m less £14m) indicative non-operational saving.</p>	<p>The timing of handover and transition is included at a headline level. Apportionment is suggested as being in line with the council tax base.</p> <p>There is no detail on what or how these costs will be met locally. This is because the focus is on the costs of the new RCCs and the delivery requirements of the LACCs to meet efficiency savings.</p> <p><b><i>Appendix O on funding is largely descriptive. It could present a table showing how and from where all project costs will be met. This would need to detail elements of the LACCs costs and sources of funds, clearly indicating where CLG have made specific allocations.</i></b></p> <p><b><i>The regional cases might show the detail of each regional provision and then the Part 2 FBC would show the aggregate picture. This again argues for the need for a revised FBC in Spring 2009.</i></b></p>

Point/issue	Earlier Comment	Updated View
<b>Accommodation Procurement</b>	<p>In relation to Property/Private Developer Schemes 'it is important to note that the expected contribution from reduced staffing costs significantly outweighs the increase in accommodation costs, and hence will not result in a potential new burden for local authorities'. This should be quantified, particularly in relation to London and the 2012 Olympics impact on construction costs.</p> <p>Consideration should be given to assigning scores to the table for 'building and fitting out control room buildings – outside London, in respect of 'funding availability', and as a result reproduce the overall results in the table set out in paragraph 126. In relation to 'building and fitting out control room buildings – London' the model should be updated once the outcome of the London accommodation procurement is known.</p>	<p>The regional cases do not report on the investment already made or the progress. The regional cases accept the new facilities will be there and this part of the programme has been completed.</p> <p>An assumption is that all extra costs incurred are paid for at a programme level by CLG. The Part 2 national business case should show the current aggregate expectations on overall project costs incurred and expected savings.</p> <p><b>Part 2 shows the total cost. It would improve understanding if the funding detail suggested above was also shown and the expenditure status made clear.</b></p>
<b>Out of scope activities</b>	<p>To seek a review of 'out of scope' activities and potential costs for FRAs.</p>	<p>These remain undefined and are potentially seen as for redeployment of some local resources.</p> <p><b>No further clarification made in Part 2.</b></p>
<b>Risk Management/ Project Control</b>	<p>In line with best practice with regard to risk management, all actions should be assigned a responsible and accountable person with relevant timescales.</p>	<p>There is no overview of risks or project/ programme management.</p> <p><b>No further clarification made in Part 2 of the responsibilities at the local event.</b></p>



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