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Title:

Public Private Partnerships: How far can they go?

Abstract:

Since the election of the current Labour government there has been a concerted shift to a partnership approach to the provision of public services. The Labour government continued the policies of the previous Conservative administration and, indeed, have moved much further forward in partnership working which has been supported by a raft of legislation which is aimed at fundamentally changing the way in which public services are delivered.

This paper outlines a research project that investigates if Public Private Partnerships (PPPs) provide a way forward for the fire service in providing an efficient, effective and economic service to the public. The research explored PPP arrangements within the Ministry of Defence and the fire service in the UK. Research was also carried out in Queensland Fire and Rescue Authority and Brisbane City Council in Australia, to compare and contrast the arrangements in place. The outcome of the research was that the hypothesis tested was not proven. A list of six recommendations has been produced that if adopted, will help position the UK fire service in the best place to pursue central government policy in the use of PPP/PFI.
Introduction

The government believes that a partnership approach is the way forward for the delivery of public services in the future. The Public Private Partnership/Private Finance Initiative (PPP/PFI) has been introduced as a way of assisting to secure the most efficient and effective way forward in the provision of public services (Cabinet Office 1999).

Over recent years legislation has been put on to the statute book which aims to produce first class public services and seeks to pursue a policy of modernising local government services. The Office of the Deputy Prime Minister (ODPM), the government department responsible for the fire service, has produced guidance for local authorities to help assist the move to a partnership approach.

Whilst the guidance is in place to help and support the move of public services to a partnership approach to service provision, the fire service is faced with a number of issues. The modernising agenda is set against the Fire Services Act 1947 (FSA) which lays down the legal obligations of fire authorities. This legislation, it could be argued, is outdated and reflects practices that were put forward following the Second World War.

Since the general election in 1997 fire authorities have been forced to challenge the ways in which service is provided and 'partnerships' have been formed at micro and macro level. At a macro level some fire authorities have entered into collaborative partnerships with other fire authorities and the private sector to provide region-wide training. Many authorities have approached the partnership issue in an individual way and there has been no cohesive approach. PPP/PFI has involved several public services including the health service, local education authority schools, and provision of local council services but the fire service has been involved only on the fringe.

The environment in the local authority arena is one of modernisation and innovation but the fire service seems constrained by dated legislation. Legal restrictions on accruing profit and financial prudence and accountability and the lack of long-term provision of fire service funding are preventing the service moving forward; as is the inability to find a role for the service in the wider environment. This has been compounded by responsibility for the fire service at government level being within three different departments over the last two years.

Research Objectives and Hypothesis

The research objectives for this project were:

1. To gain a clear and thorough understanding of current PPP/PFI arrangements within the general arena of public service provision but particularly within the fire service.
2. To carry out an exploration of the proposals forwarded by the government in terms of legislation and guidance.
3. To examine, identify and explore what the fire service could do to follow government policy on PPP/PFI in the public sector.
4. To carry out on an international study in Queensland Fire & Rescue Authority and Brisbane City Council in Australia and a comparative analysis of the provision of public services supported by partnership working.
5. To establish the experience of stakeholders on arrangements for partnerships now and in the future.
6. To draw conclusions from the research process and the information gathered which will form the basis of recommendations for future work for the service.

**Hypothesis**

These research objectives were used to test the hypothesis that: - 'Public private partnerships provide a way forward for the provision of an efficient, effective and economic service to the community'

**Research Methodology**

The research adopted at the outset of the project was a positivist, deductive approach. In carrying out the research it became apparent that the methodology developed more of a hybrid, pluralistic approach. The first stage of the research was to carry out a thorough literature review in order to obtain data from which to start to test the hypothesis in a deductive manner (Sekran 1992). The research strategy, based on the six research objectives, highlighted differing methods of data collection. The author adopted a case study approach to develop a detailed understanding of what is happening and why, in relation to the provision of PPP/PFI within an individual organisation. The subject matter of the research requires a depth of understanding and a detailed knowledge (Moore 2000 p.xii).

The research, when carried out in Australia, afforded the opportunity for an ethnography in that the author took part in action-based research in participating in focus groups and brainstorming exercises in relation to developing ideas for partnerships in the future and the issues that may arise. This allowed the author to gain an ‘insiders feel’ to the way in which the particular organisation approached the issue of PPP/PFI.

The research process proved to be iterative and this reflects the fact that the data collected from the organisations and the evaluation of such data are not rigidly separated.

The data were drawn from four research activities:

- A examination of PPP/PFI arrangements within the UK fire service
- A case study of the Joint Services Command Staff College (JSCSC) used by the MoD
- A case study of the Whyte Island training facility in Queensland Fire and Rescue Authority using semi-structured interviews and focus groups
- A case study of PPP/PFI arrangements within Brisbane City Council with semi-structured interviews and focus groups
Although the four research activities have been separated out in this list, the text following in this paper interweaves the four areas together in that they interrelate with each other and therefore it is easier to contrast and compare in this style.

**Research Findings**

The outcome of the research was that it was not possible to prove the hypothesis. The main reason for this is that there have been many PPP/PFI projects launched, but not one has yet reached the end of the contract period, which is usually 25-30 years. Therefore, it is impossible to establish whether provision of service by the PPP/PFI process provides an efficient, effective and economic service to the community over the long term. There can only be predicted whole life costs but this is difficult to quantify given the volatility of the financial markets and general long-term changes in the economy.

Both Brisbane City Council (BCC) and Queensland Fire and Rescue Authority (QFRA) have adopted a modern, pragmatic approach to the issue of PPP/PFI and have been empowered to act alone in their provision of PPP/PFI. As such they can carry out a risk assessment of the benefit from an individual partnership and an assessment of the cost benefit analysis. If the results of this risk assessment are not ideal then a different approach can be made. This is not the case for the fire service within the UK. QFRA have carried out an internally driven review and restructure and from an organisation comprising 81 separate brigades in 1990 they are now one large service. The area covered by the QFRA is greater than that of the whole of the UK.

The QFRA review had terms of reference that were very similar to those listed in the report of the independent review carried out within the British fire service which was published in December 2002 entitled: ‘The future of the fire service: reducing risk, saving lives’ (Bain et al 2002). The specific case study in QFRA involved an examination of the operation of a large training establishment in Whyte Island, Brisbane. A PPP/PFI between QFRA, the Port of Brisbane Authority and an oil producing company Caltex provide the facility. Without this partnership the facility would be beyond the resources of QFRA.

The Whyte Island Training Academy is a good example where investment from the partner companies provides an otherwise unattainable facility. PPP/PFI projects carried out within BCC have included transport links, schools and the provision of community services and the BCC have made a requirement for innovation. Within the BCC, PPP/PFI is about helping bring in new expertise, ingenuity and rigour. The case studies within this paper have demonstrated the use of outside expertise in developing the partnership approach and developing new ways of working.

The current approach within the British fire service is largely for each brigade to embark on its own project in its own way. There is an element of ‘re-inventing the wheel’ each time a project is undertaken. There is a reliance on external consultants to help set up the projects and a lack of expertise in ‘in-house’ contract management skills. Uniformed officers manage many of the PPP/PFI projects and it is not unusual to see the project leader change many times during the planning stage causing confusion and time delays leading to increased costs.
There is little evidence that brigades work together and even less evidence of large-scale collaboration. If PPP/PFI is to provide an efficient, effective and economic role in the service, then the recommendations in the independent review in relation to joined-up working, need to be studied closely in order to help best position the fire service for the future.

A move to an integrated risk management system will determine where the fire stations are required in the future and what resources are required. There is an increasing argument that fire services should work together to provide the service that the community requires. The outcome of the adoption of the recommendations detailed in the independent review of the fire service will help focus on this issue in terms of deployment of resources and siting of fire stations and training establishments. This could lead to a PPP/PFI project involving a large number of assets across many existing brigade boundaries. This type of project would be more attractive to investors.

Disappointingly, the review of the fire service, recently published, does not mention collaborative working in terms of PPP/PFI directly. Policy direction and an indication of greater support in terms PPP/PFI provision may have assisted greatly in defining the direction of the fire service but it does address other issues that will help define the future and indirectly lead to an increased possibility of PPP/PFI.

QFRA led their own review and did not wait for the imposition of external influences. Officers identified a lack of morale and industrial relations problems and set about achieving a modernising agenda of their own. This has led to many improvements, none less than the move to PPP/PFI to provide an efficient, effective and economic service to the community. However, at this early stage of the partnership involving the Whyte Island Training Academy it is not possible to measure whether this is the case.

The project operates under a Memorandum of Understanding (MoU) between all parties. The MoU has some flaws, one of which is that there was no very little legal advice sought by QFRA in the drawing up of the document. There was a reliance on internal experience of the training environment and this led to a failure to recognise the requirements of all the partners. The QFRA has learned from this and future projects will benefit from experts drawn from the professional world outside the fire service.

The government is committed to the pursuance of PPP/PFI and the MoD has seized the opportunity afforded to them to go through the modernisation process. The JSCSC has been a success for the MoD. The Navy, Army, and Royal Air Force work together in providing the defence of the UK and territory overseas. The college would not have been built if it were not for the provision of PPP/PFI. The government agenda is to cut taxpayer spending within the defence budget and capital investment by a private sector partner is one way of achieving that. The representative bodies within the MoD have worked with the employers rather than opposing outright such plans and the management of the MoD deal directly with the government and do not report to an authority of the type that oversees the fire service.
Because government policy is to pursue the PPP/PFI route and the MoD are controlled directly by central government; there has been little opposition to the PPP/PFI route and no barriers to the process. There have been job cuts and streamlining in providing the JSCSC but it is difficult to see how these types of cuts could be achieved easily in the fire service given the current climate. It must be stressed that PPP/PFI is not a precursor to job losses but the experience in the MoD is that this has largely been the case. The research revealed that the public sector financial structure in terms of revenue and capital funding and allocation are vastly different across the services. For example, the funding of the MoD is different to the fire service. MoD funding is direct from government whereas the fire service has both a central government and local taxpayer element. This means that it is difficult to compare against each service.

BCC realise that it is important that if PPP/PFI projects are to be a success then they must maintain their own agenda. The state government forced the PPP/PFI project for the provision of the Brisbane City Rail Link upon them and its relatively poor success has been blamed largely on the BCC. The reason for this blame is that the state government claims that the marketing of the service by the BCC was not enough to attract sufficient customers. In truth it was the high cost of fares to cover the costs, which was the main contributor to failure.

From the interviews with BCC staff it was apparent that they felt that the environment has to be right for PPP/PFI. There has to be willingness on the part of the government in particular to want to seek private sector investment. There needs to be willingness on the private sector to accept the risks that they are best able to manage. There must be willingness by the government to accept that the private sector is not coming from a social perspective but for commercial reasons and therefore, they must be given an opportunity to be innovative. This is what PPP/PFI is supposed to deliver, innovative solutions in the delivery of public services. Also that the private sector on the other hand must accept that each of those assets must come back to the global infrastructure of the government body and therefore has to be designed in such a way that it does not cause significant dislocation.

The service that the private sector provides, must be tailored in such a way that when it returns to public ownership or is renegotiated at the end of the contract it must fit within the public sector. If there is risk sharing there must be profit sharing. Only time will tell if these particular tools will allow PPP/PFI projects to deliver an efficient, effective and economic service to the community.

**Conclusion**

Within the UK, the government has clearly signalled its intention to continue to adopt the ‘third way’ between privatisation and public funded industries. Some PPP/PFI projects in the UK have delivered, in the short term, facilities that would not be possible if the local authority agency was acting alone. This is due to lack of affordability. The lack of a consistent method of accounting procedure across the range of public sector services means that value for money is difficult to measure by comparison. There is evidence that PPP/PFI has the potential to deliver value for money but the research revealed that there is not a ‘level playing field’ in public financial accounting across the range of public services. Because of the lack of a
single public sector financial framework then it is difficult to make an accurate value for money judgement.

The contrasts and comparisons of the case studies researched reveal a number of issues that the fire service ought to address given that government policy is for the increasing use of PPP/PFI in the public sector. This will enable the fire service to adopt the most advantageous position for the future. The British fire service is entering a period of major change and the independent review of the fire service recently carried out details the type of change that is required.

**Recommendations**

The hypothesis tested was: Public Private Partnerships provide a way forward for the provision of an efficient, effective and economic service to the community. The outcome of the research was that it was not possible to prove the hypothesis as discussed earlier. However, the author felt that it was appropriate to list a number of recommendations that would help position the fire service in the best place to pursue central government policy in the use of PPP/PFI. These recommendations are aimed at the government department responsible for the fire service, individual fire authorities and the Chief and Assistant Chief Fire Officers Association (CACFOA).

- It is recommended that the independent review of the fire service recommendation that there should be a new policy-making body led by government be endorsed. The fire service within the UK needs direction from government in terms of the modernising agenda and what is required from the service in terms of future PPP/PFI projects.

- It is recommended that fire authorities should consider the need to work together on collaborative basis on either a region-wide or area-wide scale if PPP/PFI is to help provide an efficient, effective and economic role in the service.

- It is recommended that a move to an integrated risk management system be made to determine where fire stations are required in the future and what resources are required to facilitate those stations. This will enable long term planning for PPP/PFI is applied to assets that are required to meet future requirements.

- It is recommended that consideration should be given to address the current political barriers that exist between fire authorities and private sector organisations in order that a parochial approach to PPP/PFI does not occur.

- It is recommended that consideration is given to bringing personnel into the organisation at high levels with a range of skills to develop PPP/PFI contracts and manage them through the planning stage to contract commencement and beyond.

- It is recommended that further research be undertaken at a national level into PPP/PFI arrangements once the implications of the independent review of the fire service have been understood and implemented.
References


