



# CUMBRIA FIRE & RESCUE GOVERNANCE

Options Analysis and Business Case



The proposed reorganisation of local government in Cumbria means that by April 2023, at the latest, there needs to be in place a new Fire & Rescue Authority. This new FRA needs to deliver value for money and have no adverse impact on public safety. This report looks at the options and what would be the best choice for the citizens of Cumbria.

## Contents

1	Introduction .....	2
2	Strategic case .....	3
2.1	Context.....	3
2.2	The problem.....	4
2.3	Options.....	5
3	Public Safety.....	6
4	Identifying the preferred option.....	6
4.1	Governance and leadership .....	6
4.2	Corporate and Support functions .....	7
4.3	Transition and implementation .....	8
4.4	Potential benefits.....	9
4.5	Summary of the economic case.....	9
4.6	Economy, efficiency and effectiveness .....	10
5	Managing the practical issues.....	11
6	Affordability .....	13
7	Making it happen .....	14
8	Conclusion.....	16
9	What next?.....	17

## 1 Introduction

In July 2021, the Government announced<sup>1</sup> that Cumbria's arrangement of the County Council and six district councils would be replaced by two unitary local authorities, Cumberland, and Westmorland & Furness. One impact of this change is that responsibility for the governance of Cumbria's Fire & Rescue Service (FRS), which currently sits with Cumbria County Council, will need to be taken on by a new organisation from 1 April 2023.

This is a report of the analysis of the options for the governance of the Fire & Rescue Service in Cumbria following the proposed local government reorganisation. It presents the conclusions and recommendations of the analysis that was carried out from October to December 2021.

The work was undertaken on behalf of the Police and Crime Commissioner<sup>2</sup> but has been carried out with the support of the Fire & Rescue Service and Cumbria County Council. It has been scrutinised throughout its development by the Blue Light Programme Board<sup>3</sup> and this report was agreed with the Blue Light Executive Group<sup>4</sup> on 24 January 2022.

The report considers the arguments for and against the various governance options that the Policing and Crime Act 2017 specifies. It follows the best-practice guidance from HM Treasury<sup>5</sup> and the Association of Police and Crime Commissioner Chief Executives<sup>6</sup> on assessing the options fairly and identifying which one is best for a fire and rescue service for the people of Cumbria, considering public safety and economy, efficiency and effectiveness, as required by the 2017 Act.

The business case is arranged around the five cases in HM Treasury's Green Book plus the Public Safety case recommended by APACE<sup>7</sup>. This gives the following structure:

- Strategic case – setting out the problem, context, long list appraisal and case for change
- Public Safety Case – checking any impact on public safety, operational, response and prevention issues
- Economic Case – assessing the shortlisted options, identifying the preferred option, and checking value for money
- Commercial Case – considering the practical issues for the preferred option related to workforce, pensions, and contracts etc
- Financial Case – a test that the preferred option is affordable
- Management Case – explaining how the preferred option can be delivered successfully.

These cases are now summarised in turn.

---

<sup>1</sup> [Next steps for new unitary councils in Cumbria, North Yorkshire and Somerset - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/next-steps-for-new-unitary-councils-in-cumbria-north-yorkshire-and-somerset)

<sup>2</sup> [Cumbria Police and Crime Commissioner - Making Cumbria Even Safer \(cumbria-pcc.gov.uk\)](https://www.cumbria-pcc.gov.uk/making-cumbria-even-safer)

<sup>3</sup> The Board includes representatives of Cumbria's Fire & Rescue Service, Cumbria County Council, Cumbria Constabulary, Cumbria's Police and Crime Commissioner and the North West Ambulance Service.

<sup>4</sup> The Executive Group consists of the Police and Crime Commissioner; the County Council's Cabinet Member for Customers, Transformation & Fire and Rescue Services; the Chief Executive and Deputy of the Office of the Police and Crime Commissioner (OPCC); the Chief Fire Officer; the Assistant Chief Constable; the Head of Service Cumbria & Lancashire, North West Ambulance Service; and the Chief Finance Officer of the OPCC.

<sup>5</sup> HM Treasury, The Green Book - Central Government Guidance on Appraisal and Evaluation, November 2020

<sup>6</sup> APAC<sup>2</sup>E, Police and Fire Business Case - Guidance for OPCC Chief Executives, February 2017

<sup>7</sup> APAC<sup>2</sup>E is the Association of Policing and Crime Chief Executives and is made up of Chief Executives from all 41 OPCCs in England and Wales plus equivalent bodies in London, Manchester, Jersey, and Northern Ireland.

## 2 Strategic case

The purpose of the strategic case is to explain the requirement for change in the governance of the FRS in Cumbria, consider the background and context for the change, identify the options and to assess which options should be developed and assessed in more detail.

### 2.1 Context

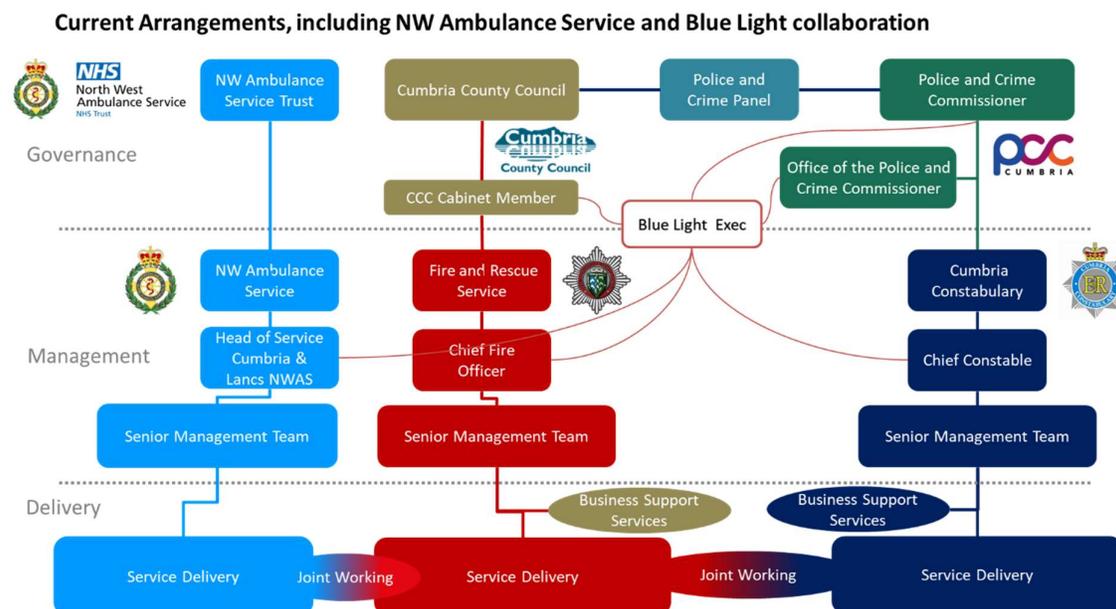
Each fire and rescue service in England is overseen by a fire and rescue authority (FRA). There are several different governance arrangements in place across the country and the size of the authority varies considerably. However, each authority has the same core functions:

- Determining the policy direction of the fire and rescue service (FRS)
- Setting a budget to fund delivery of that policy direction
- Undertaking scrutiny to ensure that intended outcomes are being achieved economically, efficiently, effectively and in accordance with statutory requirements.

The current emergency services in Cumbria consist of Cumbria Fire and Rescue Service, Cumbria Constabulary and the North West Ambulance Service. The community safety and emergency planning are also led by the FRS, working with Safer Cumbria and the Community Safety Partnerships, and this is part of the Cumbria Local Resilience Forum (CLRF). CLRF brings together emergency services, local authorities, and other organisations to prepare, respond and recover from different emergencies

The way that the governance of the emergency services in Cumbria is arranged now is summarised in the diagram below.

Figure 1: Emergency services in Cumbria



The performance of fire and rescue authorities is assessed by HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). Their latest detailed report said that they were “pleased with most aspects of the performance of Cumbria Fire and Rescue Service in keeping people safe and secure”. HMICFRS continued: “Cumbria Fire and Rescue Service is good at providing an efficient service. We found it to be good at making the best use of resources. And it is good at making its

services affordable now and in future.”<sup>8</sup> There was also a strongly positive report about the way Cumbria FRS had responded to the Covid-19 pandemic.<sup>9</sup>

Total net expenditure on fire and rescue services was about £24m in 2020/21. About 90% of this is on the firefighting and rescue operations, about 8% is spent on community fire safety and 2% on emergency planning and civil defence.

Table 1: Breakdown of Cumbria FRS expenditure 2020/21 and 2021/22<sup>10</sup>

Cumbria Fire and Rescue Service	Fire and rescue service emergency			Total FRS reported 2020/21	Adjusted 2020/21	Total FRS forecast 2021/22
	Community fire safety	Fire fighting and rescue operations	planning and civil defence			
	£m	£m	£m	£m	£m	£m
Staff costs	1.1	15.5	0.7	<b>17.3</b>	17.3	<b>17.7</b>
Non-staff costs	0.3	1.4	0.1	<b>1.8</b>	1.8	<b>1.8</b>
Property recharged	0.1	1.5	0.1	<b>1.7</b>	2.2	<b>2.2</b>
Overheads recharged	0.3	3.5	0.1	<b>3.9</b>	3.0	<b>3.0</b>
<b>Revenue expenditure total (gross)</b>	<b>1.8</b>	<b>22.0</b>	<b>1.0</b>	<b>24.8</b>	<b>24.3</b>	<b>24.7</b>
Income from sales, fees and charges	-	0.1	-	<b>0.1</b>		
Other income	-	0.2	0.3	<b>0.5</b>		
Grants	0.1	0.1	0.1	<b>0.3</b>		
Total income	0.1	0.3	0.4	<b>0.8</b>		
<b>Revenue expenditure total (net)</b>	<b>1.8</b>	<b>21.6</b>	<b>0.6</b>	<b>24.0</b>		

The table above shows the income and expenditure outturn for 2020/21 reported by Cumbria County Council to the Department for Levelling Up, Housing and Communities (DLUHC) and this has been used as the baseline for the analysis. The adjusted figures are based on a more detailed analysis of overheads that has been required to inform the wider local government review programme. Those numbers and the 2021/2 forecast have been provided by Cumbria County Council.

## 2.2 The problem

The Government’s proposed reorganisation of local government in Cumbria<sup>11</sup>, which will abolish the County Council and the six district councils and replace them with two unitary authorities, means that the existing governance arrangements for Cumbria’s fire and rescue service (FRS) cannot continue. Changes are required to adapt the FRA to these future local arrangements and align with central government policy developments and spending plans.

This means that there are four main objectives to be met. The new FRA must:

<sup>8</sup> For further details see <https://www.justiceinspectors.gov.uk/hmicfrs/frs-assessment/frs-2018/cumbria/>

<sup>9</sup> <https://www.justiceinspectors.gov.uk/hmicfrs/publication-html/covid-19-inspection-cumbria-fire-and-rescue-service/>

<sup>10</sup> Department for Levelling Up, Housing and Communities, RO6 – Central, Protective and Other Services 2020-21, 9 December 2021, [Local authority revenue expenditure and financing England: 2020 to 2021 individual local authority data - outturn - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101111/Local-authority-revenue-expenditure-and-financing-England-2020-to-2021-individual-local-authority-data-outturn-GOV.UK-2021-12-09.pdf) plus Ministry of Housing, Communities and Local Government Revenue Account Budget (RA) returns 2021-22 - RA data plus information from Cumbria County Council

<sup>11</sup> [Next steps for new unitary councils in Cumbria, North Yorkshire and Somerset - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/next-steps-for-new-unitary-councils-in-cumbria-north-yorkshire-and-somerset)

- A. be in place, by April 2023 at the latest
- B. have no adverse impact on public safety
- C. deliver improved value for money (that is to say: economy, efficiency and effectiveness)
- D. be affordable for the successor organisation within the expected overall funding envelope set by central government and local precepting decisions.

### 2.3 Options

Five options have been considered. Two are alternatives to the current arrangements, namely

1. Making each Unitary Authority (UA) a Fire and Rescue Authority (FRA) and splitting the existing FRS between Cumberland UA and Westmorland & Furness UA.
2. Creating a combined FRA with representation from each UA (like other non-metropolitan counties with unitary authorities in their FRS area).

The other three options considered are the statutory options set out in the Policing and Crime Act 2017, which all involve the Police and Crime Commissioner (PCC), namely:

3. Representation of the PCC on the FRA (which would be the combined FRA for Cumbria in this case)
4. Governance, where the role of the FRA is undertaken by a Police Fire and Crime Commissioner (PFCC)
5. Single employer, where the FRS and Police are part of the same organisation under the PFCC

A summary of the assessment is shown in the table below.

Table 2: Summary assessment of strategic options

	1 East and West Cumbria FRAs and FRs	2 Cumbria FRA (combined FRA)	3 Representation (on CFRA)	4 Governance (PFCC)	5 Single Employer (PFCC)
Strategic fit	●	●	●	●	●
Public safety	●	●	●	●	●
Economy	●	●	●	●	●
Efficiency	●	●	●	●	●
Effectiveness	●	●	●	●	●
Affordability	●	●	●	●	●
Achievability	●	●	●	●	●
Acceptability	●	●	●	●	●

Fully satisfactory ● ● ● ● Unsatisfactory ●

All five options have been assessed. Only Option 2 (the combined FRA for Cumbria) or Option 4 (the PFCC FRA) could meet the four objectives. These have been taken forward for more detailed assessment of the Public Safety implications and value for money (economy, efficiency and effectiveness) to determine which is the better alternative.

### 3 Public Safety

The public safety case focuses on public safety, operational, response, and prevention issues.

The combined FRA and the PFCC governance models have both been compared with the current arrangements against the FRA priorities in the Government's National Framework for Fire and Rescue Authorities<sup>12</sup>.

The Government's priorities "are for fire and rescue authorities to:

- make appropriate provision for fire prevention and protection activities and response to fire and rescue related incidents
- Identify and assess the full range of foreseeable fire and rescue related risks their areas face
- collaborate with emergency services and other local and national partners to increase the efficiency and effectiveness of the service they provide
- be accountable to communities for the service they provide
- develop and maintain a workforce that is professional, resilient, skilled, flexible, and diverse."

The main conclusions from the assessment are:

- Both models would maintain the momentum of the current good performance in Cumbria and there is no reason to expect an adverse impact on public safety
- Both models offer some opportunities to strengthen public safety in Cumbria
- The differences between the two models do not show that either one has a decisive advantage.

### 4 Identifying the preferred option

The purpose of the Economic Case is to assess which of the two options that have been brought forward from the Strategic Case and the Public Safety Case is better; and to assess whether the preferred option would be value for money (economy, efficiency and effectiveness) for Cumbria and more widely.

The operational workforce, infrastructure (such as fire stations, vehicles, and equipment), fire control and other operational support functions are assumed to be the same as the current arrangements for either the combined FRA or the PFCC. The Economic Case has therefore focused on the four topics where there are expected to be differences between the two feasible options, namely:

- Governance and leadership
- Corporate and Support functions
- Transition and implementation
- Potential benefits

#### 4.1 Governance and leadership

Governance and leadership relate to the way that the statutory duties of the FRA would be undertaken and how the statutory roles (such as the monitoring officer) would be carried out. This is a comparison of how a future combined FRA might work compared to a future PFCC FRA.

---

<sup>12</sup> Home Office, Fire and Rescue National Framework for England, May 2018

There are many possible ways in which a combined FRA could be governed and led in Cumbria. A plausible model for members of the FRA has therefore been developed, based on similar sized combined FRAs in England. There are four PFCC models in operation elsewhere in England and these have informed the idea of how a Cumbria PFCC might work. Based on the experience of existing combined FRAs and PFCC FRAs, governance and leadership costs are estimated to be between £0.1m and £0.3m a year more expensive in the CFRA compared to the PFCC.

The extra costs of a CFRA compared to a PFCC are to be expected since the FRA would consist of, say, 15-20 members rather than a PFCC with oversight from a Policing, Fire and Crime Panel. In addition, there would be less scope to share the cost of the statutory roles with other parts of the County Council; and having two UAs involved may make the delegation to a single cabinet member less likely. This may make the CFRA more expensive than the current arrangements. In contrast, the PFCC is likely to be similar to or less expensive than the current arrangements. Based on the experience of existing PFCCs, a Cumbria PFCC would be able to share the statutory roles with the counterparts in the PCC and Constabulary and would have a PFCC acting as the FRA rather than a committee.

There is also a risk that within five years a combined FRA will need to change to a more executive model if the Government pursues its local government reforms. The Government has stated its intention to encourage more executive models of FRA governance, such as mayoral or PFCC leadership. A PFCC model in Cumbria would have already achieved this objective.

To summarise, there is a wide range of conceivable arrangements for governance and leadership and therefore a wide range of possible cost differences between the two models. Nonetheless, the structure of the CFRA means that it would inevitably cost more. This difference is likely to represent less than 1% of the cost of the FRS.

## 4.2 Corporate and Support functions

Corporate functions (e.g. finance, HR, ICT, legal and PR) and support functions (estates management and vehicle management) between them amount to about £5m a year, services which are currently provided by the County Council.

The assessment uses estimates based on a combination of information from an analysis of the workload in the current arrangements, other information from Cumbria County Council, existing PCC corporate costs, information from other FRAs (combined and PFCC) and yardsticks for public sector back-office costs. Information about the costs of the services provided corporately by the County Council has recently been provided, but further work is required to reconcile in detail the apportionment of overheads with the fieldwork undertaken for this analysis.

The estimates are based on assumptions and scenarios in order to be able to make fair and reasonable estimates of the costs of the alternative new FRA models. They do not, however, represent any decisions about the design. Decisions for either alternative will be taken after further detailed analysis which will be undertaken when the selected option is taken forward.

The corporate and support functions considered in the assessment are estimated to have about 70 full-time equivalents (FTE) in the CFRA and almost 60 FTE in the PFCC. Headcount is expected to be about 90 and 70 respectively. The estimated CFRA headcount and FTEs are similar to the number of support staff in the FRS before the functions were integrated into the County Council. The services are estimated to cost about £0.5m (between £0.2m and £0.7m) a year more in the CFRA than the PFCC. Overall, the estimated costs for the PFCC could be slightly less than the apportioned costs of

the current arrangements, but the difference is within the margin of uncertainty. In contrast the CFRA would, at least initially, cost more than the current arrangements, mainly because it would lose the economies of scale of the County Council.

Over time, the CFRA would be able to reduce the difference (from the PFCC estimates) through collaboration with other parties. Although existing combined FRAs typically appear to be more expensive than county council FRAs and PFCC FRAs, there is no inherent reason why a combined FRA should not be as efficient through collaboration. Cumbria FRS has a good track record on collaboration, as has been demonstrated in the NW Fire Control shared arrangements. This would be expected to be extended to other corporate and support functions.

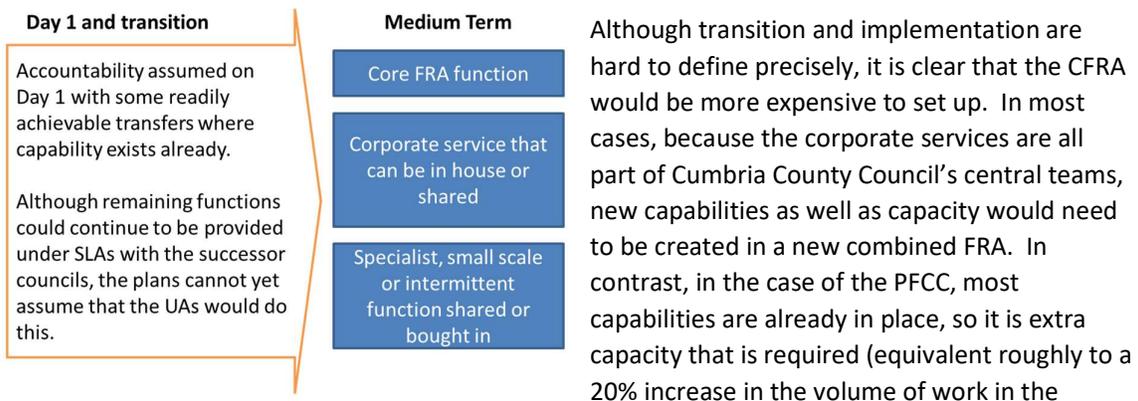
The PFCC improvements could nevertheless start sooner and there is a track record of innovation apparent in the existing PFCCs. This is why the potential productivity gains in corporate and support services are expected to be greater for the PFCC.

### 4.3 Transition and implementation

The transition and implementation costs are inevitably uncertain. First, further work is required to establish the definitive baseline. Second, the design of the combined FRA and the PFCC are speculative. Third, the design of either FRA needs to take account of corporate and support services and how these could be provided (if at all) by successor councils. However, the way corporate and support services could work depends on decisions to be taken by the two new UAs and these will not be known until after the elections for the shadow councils in May 2022 at the earliest. The biggest determinant of the eventual implementation costs will be the extent to which the new UAs continue to provide corporate (particularly finance, HR, and ICT) and support services (notably vehicle maintenance) to the successor FRA.

The overall approach to transition is shown in the diagram below.

Figure 2: Transition to corporate services in a new FRA



PCC/Cumbria Constabulary shared services). Exceptions to this pattern are specialist services not currently in the PCC, such as administration of firefighters’ pensions, but these areas are small scale.

The CFRA option includes the risk of having to set up the main back-office systems (e.g. finance, HR etc) from scratch and of having to recruit over 50 people. With good will, these costs can be avoided and even though it is likely they will be avoided, there is a quantifiable risk that should be reflected in the appraisal.

In order to assess the risk, three scenarios (pessimistic, central, and optimistic) were developed, based on assumptions about the level of cooperation and the extent to which the larger corporate

services (finance, HR, and ICT) continue to be provided as a shared service. In an optimistic scenario, all the existing services would continue to be available from a shared service centre. In a pessimistic scenario, the new FRA would need to set up all the services without any continuity.

In the case of a freestanding combined FRA, the pessimistic scenario recruiting new teams, implementing new corporate systems, or buying in the service from other organisations all in the space of 6-9 months, would be very costly. The PCC, however, already has the standard corporate systems and staff in place, so would be better able to manage the pessimistic scenario.

In all, the one-off extra implementation costs for the CFRA would be at least £0.5m and plausibly more than £1m more.

#### 4.4 Potential benefits

CFRS has been commended for its efficiency by HMICFRS<sup>13</sup> and there are plenty of good examples of productivity gains. There is also a good record of collaboration and delivering effective services. This is assumed to continue in either of the options.

Interoperability between blue light services across sparsely populated rural communities like Cumbria can deliver real improvements to public safety. The Blue Light Collaboration Agreement<sup>14</sup>, signed in 2018, sets out the overall strategy and priorities. Priorities include shared use of fleet and property estate to reduce the distance between calls for service and the response. Various projects are underway and two current examples illustrate the potential. The Constabulary and FRS have agreed in principle to a shared drone provision and there is also agreement to have shared incident support.

Having considered the impact that a change on governance could make, the conclusion is that the executive model in a PFCC would enable more streamlined decision making, which could accelerate and extend blue-light collaboration. In the committee model CFRA there could be divergent priorities in the member groups from the two different UAs.

Although no costs or financial benefits have been included for any operational FRS functions, the PCC's existing responsibilities, or wider impacts on society, this is not because these benefits are not there. It is simply that it is not possible at this stage to quantify in a robust and fair way the differences between a combined FRA and a PFCC FRA. Whichever FRA is established, a combined FRA or a PFCC, will have a duty to collaborate in the new local government landscape in Cumbria and will be able to build on the good work to date. However, the PFCC FRA would be better placed to realise the potential from collaboration more quickly and more strongly. The experience to date of other PFCCs is that the gains in efficiency or effectiveness are material.<sup>15</sup>

#### 4.5 Summary of the economic case

Having considered the areas that would be likely to change the key points from the assessment are:

- The PFCC would be less complicated and quicker to set up than the CFRA. The CFRA would be at least £0.5m more. The CFRA would be less able than a PFCC to manage the considerable uncertainties and risks in the implementation phase.
- The ongoing governance costs of the CFRA will be about £0.2m a year more than the PFCC.

---

<sup>13</sup> <https://www.justiceinspectors.gov.uk/hmicfrs/frs-assessment/frs-2018/cumbria/>

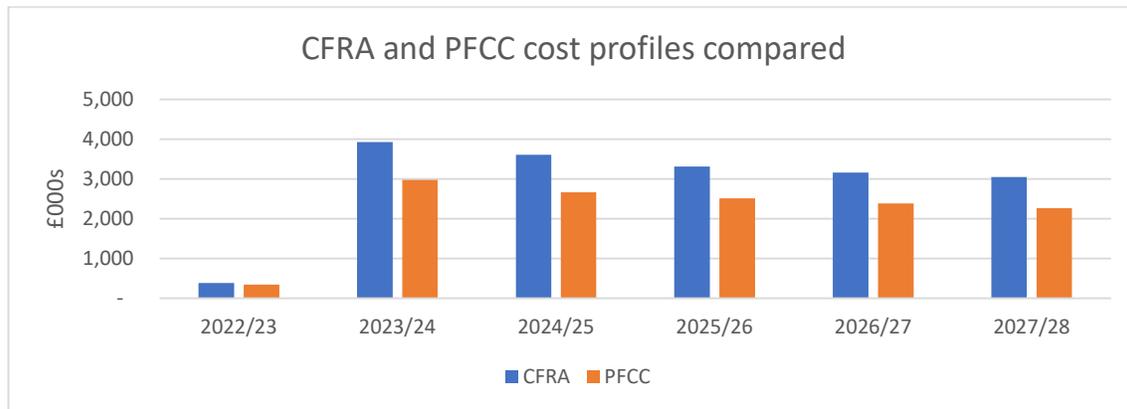
<sup>14</sup>

<https://councilportal.cumbria.gov.uk/documents/s80591/Blue%20Light%20Collaboration%20Agreement.pdf>

<sup>15</sup> APCC, "PFCCs Making a Difference - Fire and Rescue Governance in Focus", 2021.

- Ongoing corporate and support costs are likely to be about £0.5m (between £0.2m and £0.7m) a year more in the CFRA than the PFCC.
- The CFRA would be able to implement an improvement programme to create or buy in efficient corporate and support services, but this will take time and has inevitable delivery risks. The PFCC could make quicker progress. Overall, the CFRA is likely to cost £3m to £4m more over the first five years. This is about 3% of total net spending over the period. This is shown in the diagram below.
- In addition the PFCC FRA would be better placed to realise potential benefits from collaboration more quickly and more extensively.

Figure 3: CFRA and PFCC cost profiles for governance, corporate and supports and implementation costs



As explained in 4.3 above, scenarios were developed to allow for questions around the starting point for the new FRA, the running costs and potential for improvement. Risks have been quantified for each cost element. Over five years even the most optimistic view of the CFRA is likely to cost more than the most pessimistic view of the PFCC. Over 10 years the difference between the two governance models is less marked, as the CFRA should realise efficiency gains through collaboration. Nonetheless, the CFRA option remains more expensive than the PFCC model.

The economic case demonstrates that the PFCC option would pass the tests for economy, efficiency and effectiveness.

#### 4.6 Economy, efficiency and effectiveness

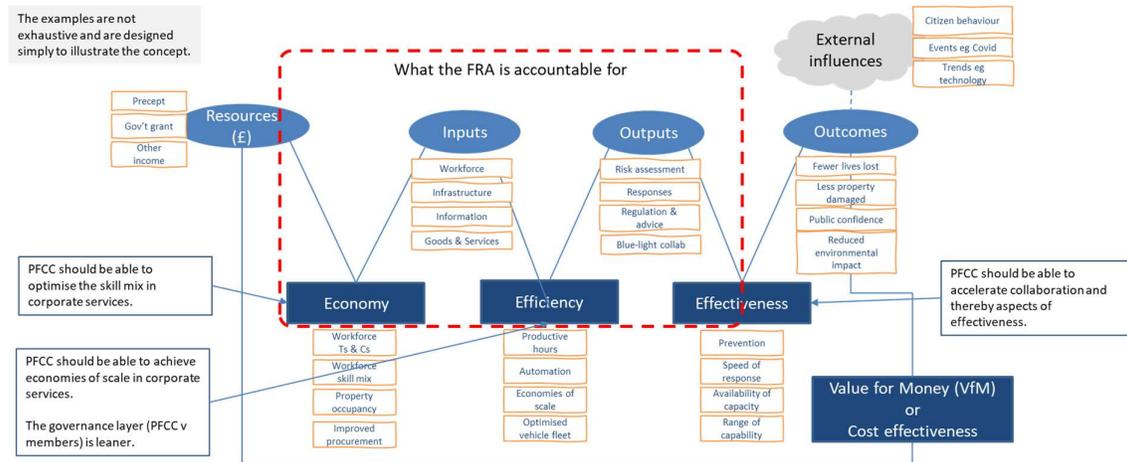
The Policing and Crime Act 2017 requires an assessment of the governance options considering public safety and economy, efficiency and effectiveness.

Economy, efficiency and effectiveness – the 3Es – are all ratios that together make up Value for Money or cost effectiveness. Economy focuses on spending less. But this is whole life not just procurement and without losing necessary quality or security. Efficiency is about spending well and is largely the same as productivity. Effectiveness is about spending wisely, doing the right things to achieve the best impacts.

An FRA has control of inputs and outputs but does not fully control resources (income) or external factors such as social attitudes and behaviours, which in part determine the outcomes.

The relationship between economy, efficiency and effectiveness, with some illustrative examples of how this applies to an FRA, and notes on the impact of the change in governance are shown in the diagram below.

Figure 4: Economy, efficiency and effectiveness



Source: concept adapted from NAO 'Assessing value for money'<sup>16</sup>.

Having established that both options would pass the public safety test and that the PFCC option is better value for money (and passes the 3Es test), the next sections focus on the preferred option.

## 5 Managing the practical issues

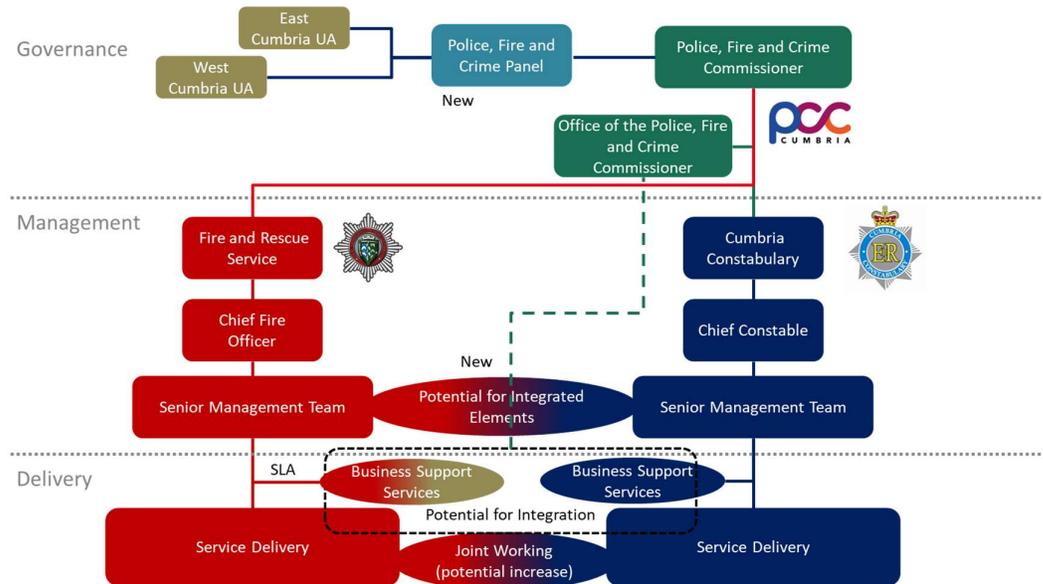
The commercial case considers practical issues that are relevant to the preferred option. These include: people involved and protection of employment; pensions; and contracts, especially PFI.

The PFCC would have responsibility for setting fire and rescue objectives for their area, appointing the chief fire officer (and again removing them, if necessary), and setting the service budget. The governance arrangements for a PFCC led FRA are summarised below:

<sup>16</sup> [Assessing value for money- \(nao.org.uk\)](https://nao.org.uk)

Figure 5: PFCC governance arrangements

**Option 4: Cumbria PFCC Governance Model**



**Workforce** – the activity analysis identified about 50 FTE staff attributable to FRS workload. This is spread over a much larger number of employees and the analysis suggests that there are relatively few areas where staff spend the majority of their time on the FRS. Staff who do spend most of their time on the FRS are in the Service Centre (typically HR processes like recruitment) or in Business Support (typically front of house staff in fire stations that are multi-use). The way that the FRS workload is spread across a larger number of people means that it is unlikely to be a problem for the new PFCC FRA to find suitable roles for those who spend the majority of their time on FRS tasks. There is a risk, however, that important expertise could be lost if staff who spend only part of their time on FRS tasks choose to join the new UAs or move elsewhere.

**Pensions** – the working assumption is that the administration of the Firefighters’ Pension Scheme and the Local Government Pension Scheme would continue through the Local Pensions Partnership Administration. Most of the year-to-year risk of this unfunded scheme is carried by central government but there is uncertainty around the impacts of the McCloud/Sargent judgements. This is a material risk that is recognised by the Government and Treasury officials told the Public Accounts Committee in April 2021 that ultimately, the costs of the remedy would be “borne by members, but the cost control mechanism will manage that cost”. Legislation to resolve the issue is currently before Parliament<sup>17</sup> and further guidance is awaited. This is a national problem (not specific to Cumbria) and there are many uncertainties which will not be resolved before a decision is required on the business case.

**Collaboration and contracts** – the major contract is with North West Fire Control (costing about £0.4m a year). This arrangement works well and appears to be the most efficient in England. It has been estimated to be saving Cumbria around £0.2m a year. This is assumed to continue, and it would be in the interests of Cumbria and the partner FRAs for it to do so.

<sup>17</sup> [Public Service Pensions and Judicial Offices Bill 2021-22 - House of Commons Library \(parliament.uk\)](https://www.parliament.uk/publications/2021-22/bills/17)

**PFI** – there is a PFI<sup>18</sup> contract, joint with Merseyside and Lancashire FRAs, that has funded five fire stations in Cumbria and has 17 years to run on the contract, at the end of which Cumbria will own the fire-stations. This is assumed to continue. Liabilities are £0.4m within one year and £1.9m within five years. The County Council receives a specific grant from the Home Office for the PFI scheme and the arrangement appears to be manageable for the successor FRA.

**Insurance** – Cumbria County Council operates an insurance fund which it uses to self-insure. This will be discussed further with the County Council to establish whether the current arrangements could continue to the advantage of the FRA and successor UAs.

In summary, while some areas of detail remain to be determined, none of these practical issues presents insuperable problems for a PFCC FRA. The firefighters' pension liabilities are potentially large, but this risk faces all local government pensions schemes, including firefighters, and any national arrangement will need to consider impacts on all FRAs, regardless of the local governance arrangements.

## 6 Affordability

The financial case addresses the question of whether the preferred option is affordable. This focuses on the impact on a PFCC for Cumbria, but also considers the impact on other bodies in Cumbria.

There is considerable uncertainty in the assessment of affordability. There is inherent uncertainty because of the timing: the forecast period is for 2023/34 onwards and budgets have yet to be agreed for 2022/23. In addition, the estimated baseline spending levels for earlier years will change as the Local Government Reorganisation programme progresses. Although the estimates will be refined, this is not expected to change sufficiently to alter the overall conclusion.

Looking at the physical assets that the future FRA would inherit, like fire stations and vehicles, it is clear that there is a shortfall in the capital programme especially for buildings, where maintenance has been restricted to safety, and wind and watertightness for some time due to a decade of austerity across local government limiting the ability of councils to fully invest in all local government assets. Investment in fire stations is required to bring them up to appropriate standards.

A key area of uncertainty is the way financial assets and liabilities will be apportioned between the future UAs and the FRA. Compared to other freestanding FRSs, Cumbria's reserves appear relatively low. A prudent balance for the general reserve for a freestanding Cumbria FRS would be at least £1m but appears more likely to be about half that at the point of transfer. The uncertainties around expenditure, assets and liabilities make the expected low levels of general reserves related to the FRS a real risk.

The financial sustainability of the FRA will depend on a fair settlement between the future UAs and the FRA, whether that is a combined FRA or a PFCC FRA.

Assessing overall affordability and the FRA precept for the forecast period, 2023/24 onwards, depends on sound estimates not only for the budget, reserves, and liabilities, but also government grants. The Government announced a one-year settlement (for 2022/23) on 16 December 2021<sup>19</sup> and there is an overdue reform of grant arrangements expected. This means that it is only possible

---

<sup>18</sup> PFI stands for Private Finance Initiative, which is a public sector procurement method that uses private sector investment to deliver public sector infrastructure.

<sup>19</sup> [Provisional local government finance settlement: England, 2022 to 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/provisional-local-government-finance-settlement-england-2022-to-2023)

to calculate indicative figures for the council tax requirement. Preliminary calculations suggest that had there been a separate FRA, with its own precept, for 2020/21, the Band D Council Tax bill, about £90, would be towards the upper end of the range of precepts set by combined FRAs. This is, though, a preliminary assessment, made to check the plausibility of the numbers available now, and should be treated with caution.

Any future FRA will face considerable challenges in financial sustainability and there are no differences between a PFCC or combined FRA in terms of government grants or precepts. Either arrangement would need to find ways to address the maintenance backlog and to manage considerable uncertainty about reserves, grants, and other funding, but the PFCC model would be better placed to achieve efficiency savings early on.

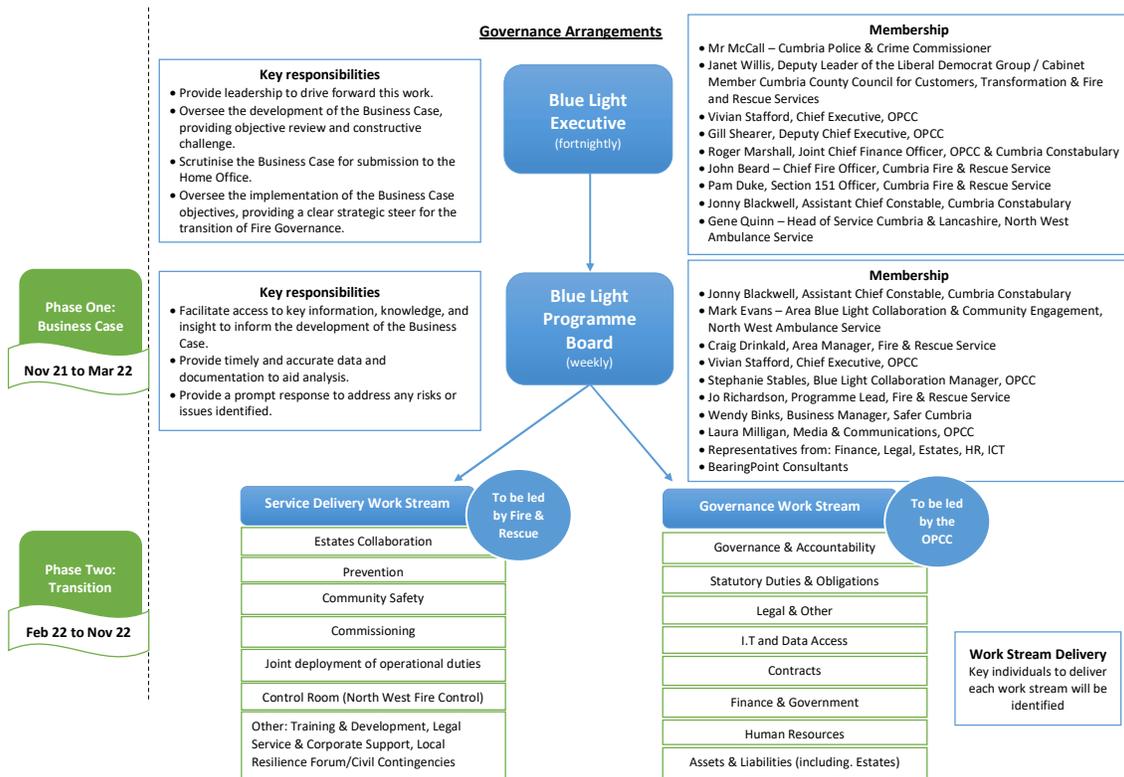
In summary, the initial assessment suggests that the proposals should be affordable, with a precept within the range of existing combined FRAs. Issues with reserves and liabilities ought to be possible to resolve with a sensible approach from the UAs and support from the Home Office. The assessment has not identified issues of affordability for other bodies caused by new arrangements for the governance of the FRA.

## 7 Making it happen

The Management Case sets out how the preferred option can be delivered. This includes how the preferred option can be implemented and thereafter managed successfully in an operational setting.

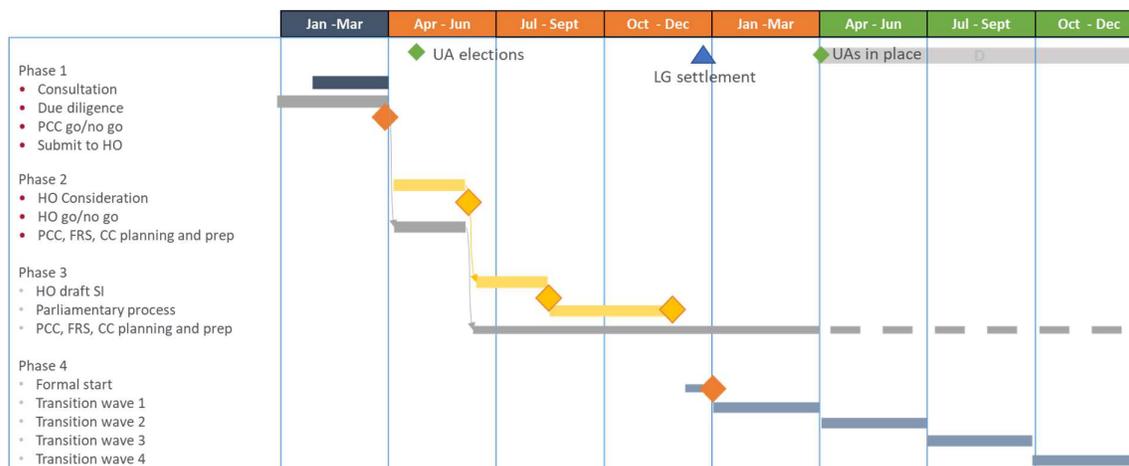
A suitable governance structure has been established building on the Blue Light collaboration that is already in place. This is shown in Figure 6 below. The structure is working well, bringing together all the stakeholders most involved along with the internal management of the project.

Figure 6: Project Governance Arrangements



The deadlines are driven by the Local Government Reorganisation in Cumbria and the Home Office and Parliamentary timetable for establishing a Cumbria PFCC. The outline plan is shown below.

Figure 7: Outline plan for implementing a Cumbria PFCC FRA



The transition timetable is tight. For instance, it would be desirable to have at least 6-months lead time to finalise the new organisation and follow the good practice processes in transferring and appointing people. For a 1 January 2023 start, this would imply starting in July 2022, which is before the Statutory Instrument is expected to be laid before Parliament and only just after the expected elections to the new UA councils.

One critical area to be resolved is the period January – March 2023. At this point the County Council will still be in place and it seems simplest to maintain the current systems (e.g. for payroll) until the year end when all systems will be switched to the new organisations. That would imply a formal start for a PFCC on 1 January with functions transferred over the next few months. This needs more detailed consideration in the next phase.

Risks and issues are being managed by the project team following normal project management disciplines. The tight timetable is one of the top risks. Another is that some critical decisions will need to be taken without all the necessary information e.g. before the structures for 1 April onwards and the related budgets are decided, before the Local Government settlement is known and probably before the reserves are disaggregated.

Another top risk is that there will be no clear plan until June 2022 at the earliest for how the corporate and support services currently in CCC will be delivered in future by the UAs. The PFCC does however have most of these capabilities in the OPCC or Constabulary already, though not necessarily the capacity available now. As noted above, there would also be a three-month cutover possible with the PFCC model (the period January to March 2023 when the County Council will still be in place).

Change management processes will be put in place once the preferred option has been agreed. Stakeholders are already involved, beginning with identifying and classifying the stakeholder groups, and starting the communications programme.

The consultation process will start now that a decision has been made to pursue the PFCC option. The consultation will use a variety of methods, including surveys and focus groups, and will run through February and March. The business case will be updated in the light of responses.

The outcomes of the implementation of the new FRA will need to be managed and a suite of leading and lagging indicators covering inputs, outputs and outcomes will be put in place. This will be done from April 2022, assuming the proposals are submitted to the Home Secretary.

Some specific evaluations for equality, security and information governance are planned and an initial equality impact assessment has been completed. There are no concerns raised by these assessments so far.

In short, there are risks and challenges to a successful implementation of a PFCC FRA, but the management case suggests that a PFCC FRA can be implemented successfully in the timescale if there is sufficient goodwill from the County Council and the shadow UAs when they are elected next May.

## 8 Conclusion

The Government's proposed reorganisation of local government in Cumbria means that by April 2023, at the latest, there needs to be in place a new FRA. The tests for the new arrangements are that they should have no adverse impact on public safety but should deliver value for money (and achieve economy, efficiency and effectiveness). They must also be affordable for the successor FRA and for Cumbria more widely.

There are two alternatives to the current arrangements that could meet those requirements. One is to set up a new combined Fire & Rescue Authority, on the lines of other counties where unitary authorities have been introduced. The other is to extend the remit of the PCC to become a Police, Fire and Crime Commissioner (PFCC), taking on the role of the Fire & Rescue Authority.

Both alternatives keep all the operational elements of Cumbria's Fire & Rescue Service as they are now. The roles and duties of firefighters would not change. Many support services would also continue in a similar way. There would though need to be some changes in the corporate functions (because the County Council where they currently sit will no longer exist); and the governance arrangements in both cases would be new.

On balance there are more advantages for the PFCC FRA. This is because the PFCC model gives greater certainty about the intended organisation at an earlier stage and is likely to be less disruptive to the Fire & Rescue Service; it should help to maintain and accelerate the good collaboration that already takes place between the blue-light services; and it should be in a stronger position to address the financial challenges that will face Cumbria's Fire & Rescue Service in the next few years. This reflects a combination of lower estimated costs of running the service year to year and lower implementation costs. Together this is estimated to be worth between £3m and £4m over the first five years of operation. The PFCC FRA model is in line with the reforms to the fire service planned by the Government, which are expected to be set out in a consultative White Paper in early 2022, and it would also align with the Home Secretary's intended evolution of the role of PCCs.

Although there is still uncertainty about precise figures, this will not be fully resolved before a decision needs to be taken. The differences between the options are, however, clear cut.

Several practical issues need to be resolved, such as the calculation of the precept and the responsibility for historic liabilities. Some issues (notably firefighters' pensions) are national. All can be resolved without creating undue risk for the PCC, assuming goodwill from the councils of the new unitary authorities (which would be in the interests of citizens and taxpayers in Cumbria) and assistance from the Home Office.

## 9 What next?

This report was considered and agreed by the Blue Light Executive Board<sup>20</sup> on 24 January 2022. The PCC has therefore decided to proceed to the next phase. This phase has two aspects. The first involves starting the 'due diligence' process, to explore in more detail the risks, issues and uncertainties that have been highlighted in this report. The second is to consult on the business case those involved to get their views on the proposals.

The report is being published and made available via the PCC website, along with more detailed evidence, to support the public consultation planned to run through February to mid-March 2022. There will also be focus groups with staff and other interested parties. The report will be updated to reflect the results of the consultation.

The PCC expects to submit the proposal (for a PFCC FRA in Cumbria) to the Home Secretary by the end of March. The Home Secretary will then consider the report and recommendations. If she agrees, the Home Secretary will lay before Parliament a Statutory Instrument to give effect to the new arrangements. If the timetable follows other counties where this has been done before, this will take place in the summer and autumn of 2022. The PCC would then take on the role of the FRA from either January 2023, at the earliest and no later than 1 April 2023, the starting date for the new unitary authorities.

---

<sup>20</sup> The Executive Group consists of the Police and Crime Commissioner; the County Council's Cabinet Member for Customers, Transformation & Fire and Rescue Services; the Chief Executive and Deputy of the Office of the Police and Crime Commissioner (OPCC); the Chief Fire Officer; the Assistant Chief Constable; the Head of Service Cumbria & Lancashire, North West Ambulance Service; and the Chief Finance Officer of the OPCC.