Shropshire and Wrekin Fire and Rescue Authority
9 February 2011

Notification of Government Capital Grant 2011/12

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report informs the Fire Authority of a grant of £916,000 towards capital expenditure, outlines the options available to Members and recommends a way forward.

2 Recommendations

The Fire Authority is recommended to:

a) Bring forward the capital scheme of £400,000 to replace two appliances in 2013/14 to 2011/12, and amend the capital programme, recommended by the Strategy and Resources Committee earlier on the agenda accordingly;

b) Use the balance of the capital grant of £516,000 to fund the capital programme instead of borrowing;

c) Add the debt charges thereby saved of £26,000 to the Efficiencies Reserve, and amend the schedule of reserves and provisions, recommended by the Strategy and Resources Committee earlier on the Agenda accordingly;

d) Incorporate the revised projections, set out in section 5, into its 2011/12 Medium Term Financial Plan, and, therefore, its Medium Term Corporate Plan; and

e) Ask officers to prepare a position statement that will enable the Authority to lobby for a maximum allocation of Capital Grant in 2012/13.

3 Background

Last week the Fire Authority was notified that it had been allocated £916,000 capital grant out of a total for the Service of £70m. This is good news and is a favourable allocation, using the same methodology, for which the Authority lobbied and which was subsequently applied in 2009/10 and 2010/11. A further £70m is planned for 2012/13 but this has not been allocated. The Government wishes to consult with Fire Authorities on the best way to allocate the money so that modernisation changes can best be achieved.

The grant can only be used to finance capital projects and will probably need to be used during 2011/12. However, it will enable:

i Existing capital schemes, expected to be funded from loan, to be funded directly from grant, reducing debt charges and, therefore, revenue spending by up to £46,000 in 2011/12 and some £95,000 in 2012/13; and / or

ii A re-examination of capital schemes that were delayed or cancelled, following the Public Value Review of the capital programme; and / or

iii Debt charge savings in whole or part to be used to increase revenue expenditure or to increase reserves to meet the funding problems of the currently predicted shortfall of up to £1.0m in 2014/15 onwards.

4 Examination of Options

In the short time available since the grant allocation was announced your officers have looked at the various options available.

Following a review of the capital programme it is recommended that consideration is given to advancing the replacement of two of the most elderly appliances, for which £400,000 is currently budgeted in the 2013/14 capital programme. These appliances are undoubtedly the most difficult and costly to maintain, as they are the last of the former models purchased. There would be no change to the revised replacement life of 15 years, so the principles of the Public Value Review would be retained. This would, however, save costs of £10,000 in 2013/14 and £46,000 in each subsequent year, plus avoiding maintenance costs in the meantime. There would be no impact on prudential guidelines

This would still leave £26,000 of potential savings in debt charges in 2011/12, rising to £47,000 in subsequent years. Officers believe that the £26,000 in 2011/12 could effectively be added to the Efficiency Reserve to help Strategy and Resources Committee, through the Strategic Risk and Planning Group, address the reductions needed in 2013/14 onward. A decision about an addition to the Efficiency Reserve had been delayed until the closing of the accounts, but the additional grant would enable a firm commitment to this now. The £47,000 in 2012/13 could be allowed to fall into reserves for the meantime and a decision made during 2012/13 as to how it could best be used.

Officers also considered the option of using the debt charge savings in whole or part to reduce revenue expenditure and, therefore, the precept.

If the whole reduction was used, then the precept could be reduced to £83.52, a reduction of 0.3% or 29p per year for each Band D property. If the capital project to replace the appliances was brought forward but the remaining reduction of £26,000 was not added to the Efficiency Reserve, then the reduction in precept would be 0.2%. In view of the concerns about later years however, your officers would not propose losing any opportunity to improve the financial position for those years.

5 Financial Projections

The revised position for the next five years, if officers' recommendations were accepted is as follows.

	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	£000	£000	£000	£000	£000
Expenditure as reported to Fire Authority in December	**20,837**	**20,892**	**20,821**	**21,151**	**21,640**
Effect of capital grant	-26	-47	-47	-47	-47
Advancing vehicle replacement			-10	-46	-46
Revised Net Expenditure	**20,811**	**20,845**	**20,764**	**21,058**	**21,547**
Income					
Formula Grant	7,482	7,228	6,605	6,004	6,341
Tax Freeze Grant	337	337	337	337	-
Council Tax					
£83.81x 160,324.69	13,437				
£83.81x160,966		13,491			
£85.91x161,610			13,884		
£88.05x162,257				14,288	
£90.25x162,906					14,704
Collection Fund	117	30	30	30	30
Total Income	**21,373**	**21,086**	**20,856**	**20,659**	**21,075**
Balance					
Surplus to: - Un-earmarked Capital Reserve - Efficiency Reserve	536 26 562	241 - 241	92 - 92	-	-
Net Deficit (-)	-	-	-	-399	-472

The table does, of course, show only one of a number of combinations and permutations that are available for Member decision. It does, however, try to balance the use of the grant for its purpose of investing in capital with retaining maximum flexibility for the Authority to address the service delivery and financing issues it will be facing in the next Comprehensive Spending Review.

6 Financial Implications

The financial implications are detailed in this report.

7 Legal Comment

There are no legal implications other than those outlined in the report.

8 Equality Impact Assessment

Officers have considered the Services Brigade Order on Equality Impact Assessments (Human Resources 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An EQIA has therefore not been completed,

9 Appendices

There are no appendices attached to this report.

10 Background Papers

None