

## New Dimension Asset Transfer

### Report of the Chief Fire Officer

For further information about this report, please contact Paul Raymond, Chief Fire Officer, on 01743 260205.

### 1 Purpose of Report

This report summarises the Authority's current position over the transfer of New Dimension assets from the Department for Communities and Local Government (CLG) to local Fire and Rescue Services, including assets to this Authority. This follows communication with CLG seeking changes to contract and assurances of funding.

### 2 Recommendations

That the Fire Authority:

1. Accept the New Dimension assets and sign the contract, as presented by CLG; or
2. Accept the New Dimension assets and sign the contract, as presented by CLG, subject to amendments, which place an obligation on CLG to accept transfer of ownership of the assets back in the event that central government funding for maintenance and management of the assets is either withdrawn or significantly reduced in the view of the Fire Authority and in the event that the Fire Authority requests a transfer back to take place at that time; or
3. Reject the assets and make financial provisions for replacement of the pumping unit and aspects of the Incident Response Unit that deal with large scale chemical incidents.

### 3 Background

CLG has procured a large number and range of vehicles and equipment as part of a national capability to respond to major disruptive events, involving Chemical, Biological, Radiological and Nuclear (CBRN) materials, collapsed or unstable structures, and to move large volumes of water.

CLG has allocated the vehicles and equipment to fire and rescue authorities throughout the Country on the basis that the authorities will staff those vehicles and keep them ready for use, should an event arise, whether within their own area, or outside of that area. CLG has also provided specific grant funding for staffing of the vehicles in some authorities (not our own).

Pursuant to the above arrangements, Shropshire and Wrekin Fire and Rescue Authority has been allocated the following vehicles and equipment for use ("the Assets"):

- **High Volume Pumping** vehicle, located at Prees;
- **Incident Response Unit (IRU)** and associated equipment, located at Shrewsbury; and
- **Robe Re-Robe Unit**, also located at Prees.

CLG has confirmed that the Authority is entitled to use the vehicles and equipment for its normal fire and rescue functions (subject to the Authority's meeting any repair or replacement costs caused by its negligence). In actuality we would use the pumping unit frequently, mainly for large fires and flooding incidents, and the IRU only for major incidents involving chemicals. The re-robe unit will only be used for mass decontamination events.

The above Assets currently remain in the legal ownership of CLG. In order to ensure that they are fully maintained in appropriate working order the Department has set up a contract between Firebuy and Vosper Thorneycroft Critical Services ("the Contractor"). The Contractor is now maintaining the Assets, the costs of which are currently being paid by CLG.

CLG wishes each fire and rescue authority, which has Assets allocated to it, to agree to the legal title in those Assets being transferred to it, under terms that will also require it to enter into an access agreement in respect of the National Maintenance Agreement. This will result in the Contractor's continuing to have responsibility to maintain and replace the Assets, but will also then require the fire and rescue authority to pay the Contractor the maintenance costs (rather than CLG).

The routine maintenance costs to the Authority are still unknown. However, under the terms of the National Maintenance Contract, if an Asset is destroyed or damaged beyond repair, the Contractor will replace the Asset and the Authority will be responsible for the costs of such replacement. If the asset is repairable, the Authority will be responsible for the cost of repair. If the asset proves to be particularly unreliable or expensive to maintain, we would normally seek to modify or replace the asset to minimise the cost. This is not possible under this framework due to the requirement to standardise equipment across all services.

It will be necessary to budget for the, currently unknown, routine running costs and their reimbursement, subject to the caveats set out in this report. Neither income nor expenditure is currently included in our budget, as costs are paid directly to the Contractor by the Government.

We will have to pay for “unfair” wear and tear, including any damage caused in training or at exercises in order to prepare for national events. A growth item for this has been included in the current budget of £10,000 a year, in the event that we accept the assets.

We will have to take the assets onto our balance sheet. This should not lead to any direct cost, as there is no requirement to set aside minimum revenue provision (MRP). This is because the assets would not have been funded from loan by the Authority. However, it is our practice to provide for the replacement of assets over their life and a decision will need to be made whether we ought to make such a provision in the light of the following:

*“we (CLG) recognise that some vehicles and equipment over time will reach the end of its life and there are two ways that we intend to deal with this. ...the CFOA-led Assurance Body has been provided with an annual sum of money, around £1.5m, to deal with routine upgrades and changes to the new dimensions fleet. Secondly we envisage that every five to six years there will be a need for a major refresh.” “While a decision on this will always be a decision for the government of the day we would expect such major refreshes to be tied to a spending review so as to be able to identify resources to take forward the work. Where vehicles have been used extensively by the FRS on local incidents and their life-spans are unduly shortened, we would wish to discuss with the FRA concerned, and the Assurance Body how the replacement costs should be fairly apportioned.”*

In other words we may face equipment and vehicle replacement costs, depending on how much we utilise the assets for our own service needs or if we are unable to argue effectively that we have not so used them. The Authority could mitigate the risk of such liability by insuring the vehicles and equipment against loss. We have already increased cover for these assets from Third Party (the level of insurance CLG provides) to fully comprehensive.

The Fire Lawyers’ Network has provided comments on the proposed agreement but not all comments have been taken on board. In this respect, the main outstanding issue is:

***The draft agreement provides that, on transfer of the legal title in the Assets to the Authority, the Authority is required to enter into an access agreement in relation to the National Maintenance Contract. However, the draft agreement provides no corresponding obligation on CLG to meet the costs incurred by the Authority in the maintenance and replacement of the Assets, which could be substantial.***

CLG has instead indicated, in Circular FSC 36/2008, that it will fund maintenance costs in line with new burdens principles, subject to Treasury and Ministerial approval. In Circular FSC 16/2009 CLG also confirms that, whilst funding will currently be through specific grants, CLG intends to mainstream grants into the Revenue Support Grant (RSG).

If funding is provided through the above grant mechanism, rather than a direct contractual obligation to meet all of the maintenance costs, then there is a risk that some or all of the maintenance costs under the National Maintenance Contract will have to be met by the Authority.

This is because:

- (a) “New burdens” policy is a policy, which may change;
- (b) Any new Government may not wish to commit to continued grant funding;
- (c) The actual level of grant funding is subject to Treasury and Ministerial approval, and full funding may not be approved, particularly in the current economic climate;
- (d) If grant funding is moved from specific grant funding to mainstream funding through the Revenue Support Grant (RSG), then, if grant funding is frozen or reduced, the Authority will need to make efficiencies elsewhere in its budget to continue funding the maintenance of these assets.

The Chief Fire Officer wrote to CLG on behalf of the Authority in January this year to request either:

- (a) An express obligation on CLG to meet all of the costs, for which the Authority will be liable under the National Maintenance Agreement; or
- (b) A right for the Authority to terminate its obligations for payments under the National Maintenance Agreement, if CLG ceases to provide funding for the maintenance costs.

In a letter to the Chief Fire Officer of 6 May 2010 neither of these options was accepted but further assurances were made about New Burders and revenue support grant.

## **4 Fire Authority Position as of May 2010**

The Authority has the following main options:

- i) Inform CLG that it is not willing to enter into the Transfer of Assets Agreement, but it is willing to continue to host the Assets on the basis that CLG will continue to be responsible for meeting the maintenance costs, and training for the relevant vehicles.

CLG may agree to this arrangement or may decide to reassign the Assets to another authority or authorities, willing to enter into the agreement, in which case the Authority would lose local availability of the Assets.

## Impact Assessment

This decision may lead to the loss of both New Dimension assets. The loss of the IRU would have some detrimental impact on our ability to deal with large-scale chemical incidents, so we would need to procure larger stocks of equipment to cover this reduction. This may cost the Authority in the region of £20,000 and ongoing costs of around £5,000 per year. This is not budgeted.

A bigger loss would be the removal of the Pumping Unit at Prees. As this vehicle is now a significant part of our water supply strategy for North Shropshire we would need either to review this strategy or replace the vehicle with one purchased by the Authority. The replacement would cost upwards of £300,000, again currently not budgeted.

There is a very high risk that CLG would remove both assets and relocate them out of the County. This decision may also have a negative impact on how Government views this Authority in future, which has unknown implications.

- ii) Inform CLG that it is not willing to enter into the Transfer of Assets Agreement, and request CLG to reassign those Assets to one or more other authorities.

## Impact Assessment

This would have the same impacts as above.

- iii) Inform CLG that it is now willing to enter into the Transfer of Assets Agreement, as drafted, with the caveat that, if funding for the maintenance and management of the vehicles and equipment is withdrawn in the future or significantly reduced, then the Fire Authority retains the right to return the assets to Government.

## Impact Assessment

Under this option, whilst the Authority will receive grant funding towards the maintenance costs, in the medium and longer term (i.e. after 3 years and for the remaining further 13 years or so of the maintenance arrangements) there is a risk that grant funding may cease or that it will not meet all costs and liabilities throughout the term of the arrangement, in which case the Authority will then pass the assets back to the Government or decide to fund the costs of retention itself.

To support the Authority through this we would need to set aside capital sums for asset replacement of around £350,000 for the pumping unit (in 2020) and £500,000 for the IRU (in 2020). We may also need to set aside budget for the 'major refresh' in 2014 of an unknown amount. In addition, we would need to earmark ongoing

training costs of around £30,000 per year. These sums would only be required, should the Government not feel able to continue funding the assets and the Authority wished to retain them.

### **Chief Fire Officer's Recommendation**

As a part of the critical national infrastructure Shropshire Fire and Rescue Service provides a valuable resource to the rest of the UK. We in turn would receive assistance with specialist equipment and resources, should we request it, as was seen in the explosion in Shrewsbury in January 2010. It is in the interest of all UK fire and rescue services to continue to control these assets and take an active part in protecting all UK citizens.

Our concern remains with the long-term maintenance contract, the possible replacement costs of the assets in years to come and, perhaps most worrying, the reluctance of the Government to give a firm, unequivocal commitment to long-term funding, especially when we are looking at significant grant reductions in the coming 5-year period, and perhaps even longer.

I would therefore recommend to the Authority that option iii) is agreed and that a letter is sent to CLG, as set out at Appendix B.

## **4 Financial Implications**

The Authority would, on transfer of the assets, become liable for the maintenance. Should funding not be forthcoming from CLG or another Government Department in future, then local tax payers may be liable for paying for national assets.

The costs for repair or replacement of the assets are not clear at present but estimates are given in this report.

Should Members decide to reject the assets, provision would need to be made in the budget for replacement of the Pumping Unit and equipment for chemical protection at incidents.

## **5 Legal Comment**

Local and national legal opinion is that the contract places a number of risks on fire and rescue authorities and it would be a significant risk, if they sign the current contract without the amendments suggested in option iii).

## **6 Equality Impact Assessment**

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have determined that there are no discriminatory practices or differential impacts upon specific groups arising from this paper. An Initial Equality Impact Assessment has not, therefore, been completed.

## 7 Appendices

### Appendix A

Letter dated 25 January 2010 to Sandy Bishop of Communities and Local Government

### Appendix B

Proposed letter to Fay Smith of Communities and Local Government

## 8 Background Papers

Fire and Rescue Service Circular 16/2009

Fire and Rescue Service Circular 36/2008

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk); the implications are detailed within the report itself.

Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act	*	National Framework	
Comprehensive Area Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	*
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*
Integrated Risk Management Planning			

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25 January 2010

Paul Raymond, CFO

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PR/KH

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Dear Sandy

## **Transfer of Ownership of New Dimension Assets**

Shropshire and Wrekin Fire Authority has asked me to write to you to express their support for the New Dimensions project that has delivered much needed extra capability to the country. Indeed the Authority was the first on the country to have Large Volume Pumping units and has invested in providing compatible level 2 Urban Search and Rescue equipment and training to a local specialist team in support of the national capability.

Members of the Authority have been discussing the transfer of assets for some time and have tried to come to a consensus around the signing of the contract of transfer. Following your reply to a number of questions set by CFO Members of the Strategy and Resources Committee met recently to agree a position.

Members concerns were primarily financial; we are currently looking at our next five year strategy and are all too aware of the possibility of significant budget cuts and much lower limits to precept increases. Members therefore find it very difficult to sign a contract that gives them no legal right to terminate the contract if central funding stops or RSG formula is changed so as to disguise the specific amounts for ND assets. Members were rightly concerned that they may be required in future to make a decision on removing local fire engines to continue funding of a national asset.

Members therefore decided to only sign the contract if a clause was included that satisfied these concerns. Quite rightly you state in your letter of the 15 December 2010 that this Government cannot commit future Parliaments to FRA funding. Members of Shropshire and Wrekin Fire and Rescue Authority also feel that they cannot commit future local tax payers to a 16 year commitment without suitable contract exit clauses.



Members will next be meeting to make a final decision on the 4 March 2010 and would like a reply to this letter before that date; in the meantime Members wish to assure CLG that the Authority will continue to host and crew the New Dimension Assets in support of the national resilience agenda.

Yours sincerely

Chief Fire Officer

Fay Smith  
New Dimension Policy  
CLG  
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Dear Fay,

### **Transfer of New Dimension Assets**

Further to our recent correspondence Members of Shropshire and Wrekin Fire and Rescue Authority met on the 16<sup>th</sup> June and discussed our current position with the transfer of New Dimension assets.

Although Members agreed that it was important for the Authority to support the national resilience delivered by the ownership of these assets in Fire and Rescue Authorities across the Country, they were only partly content with the long-term funding commitment given by the Government.

For the reason above Members have asked me to insert amendments to the contract and I now return 2 copies of the signed, amended contract (one for you to sign and return please).

These contracts are signed subject to the amendments being agreed by the Department to give effect to the Fire Authority's requirement that there be an obligation on CLG to accept a transfer of ownership of the assets back to CLG in the event that central government funding for the assets is either withdrawn or reduced significantly and that the Fire Authority requests the transfer back to take place.

Yours sincerely

Paul Raymond  
Chief Fire Officer