

Consultation on the Distribution of Fire Capital Grant

Report of the Treasurer

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

1 Purpose of Report

The report seeks approval to formal comments responding to the Communities and Local Government (CLG) consultation paper on distributing £78 million of capital grant in 2009/10 and 2010/11.

2 Recommendations

The Fire Authority is recommended to submit comments as set out in the appendix to the report.

3 Background

The Authority was aware that additional capital grant had been agreed as part of the three year grant settlement. No details were announced, and no account has been taken of this in the Authority's 2008/09 budget.

The details have now been announced as follows:-

- i £78 million is available in 2009/10 to 2010/11;
- ii This replaces investment delivered by the Fire and Rescue Service (FRS) Private Finance Initiative Programme;
- iii The amount will be distributed by a formula, is paid "up front" and will not involve borrowing;
- iv The amount for 2010/11 will be "indicative" but Government policy would be only to alter this in "exceptional circumstances"

A Government Circular FRS 25/2008 seeks views on how the grant should be distributed, proposing three options:

- a) **Distribution according to the existing formula for Supported Capital Expenditure (SCE)**
SCE is that bit of the Revenue Support Grant calculated to meet debt charges on capital schemes. It is crude. 50.1% based on past spending is allocated to non-metropolitan authorities and then simply split by population;
- b) **Distribution according to the number of building assets owned by the authority**
This would target estate management as a driver of modernisation. Weightings would be used – e.g. wholetime stations weighted double that of retained stations. If chosen the data would remain fixed.
- c) **Distribution of a fixed sum, £0.5 million a year, to every authority and distribution of the remainder by population**
This would guarantee every authority a minimum £1.0 million, i.e. a meaningful sum to invest in an estates strategy.

The CLG is welcoming any comments or suggestions, and has set out a list of questions that could be used to structure a response, as shown in the appendix.

4 The Views of the Authority

In trying to reach a considered response the following objectives established by the CLG can be borne in mind:-

- i Provide a meaningful grant level for all authorities;
- ii Arrive at a transparent formula;
- iii Produce a formula that does not conflict with the Formula Grant approach;
- iv Produce a simple but fair and robust formula with regard to weightings or other factors;
- v Produce a method that could become the basis for on-going capital provision.

The option that will most closely deliver these objectives is option C, which is also favoured by the CLG itself.

The arguments are set out in the appendix. The one major issue is a possible conflict with the present method of distributing SCE in the Formula Grant. This would now appear to be in need of review. This Authority has long considered a methodology that supports £433,000 of capital expenditure a year based on historic spending and crudely on population, to offer little scope for modernisation through capital investment without risking significantly increased debt burdens.

5 Implications for the Authority

Whichever option is chosen, the Authority will receive additional capital grant:-

| | 2009/10 £000 | 2010/11 £000 | Total £000 |
|-----------|-----------------|-----------------|---------------|
| Option a) | 237 | 307 | 544 |
| Option b) | 422 | 546 | 968 |
| Option c) | 602 | 691 | 1,293 |

This extra grant will enable the Authority to decide whether to

- i Fund existing programmes, thereby reducing future revenue costs;
- ii Undertake additional capital expenditure where modernisation would otherwise be slowed;
- iii Combine the two possibilities.

Whatever is decided, the grant will be a welcome development and will help fund the St Michael's Street scheme in particular.

6 Financial Implications

The financial implications are as outlined in the report.

7 Legal Comment

The submission of the comments on the consultation does not raise any direct legal implications.

8 Equality Impact Assessment

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

9 Appendices

Shropshire and Wrekin Fire Authority's Response to Consultation on Distribution of Fire Capital Grant (FRS Circular 25/2008)

10 Background Papers

There are no background papers associated with this report.

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.

| | | | |
|--|---|---|---|
| Balanced Score Card | | Integrated Risk Management Planning | |
| Business Continuity Planning | | Legal | * |
| Capacity | | Member Involvement | |
| Civil Contingencies Act | | National Framework | |
| Comprehensive Performance 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 | * |

Shropshire and Wrekin Fire Authority's Response to Consultation on the Distribution of Fire Capital Grant (FRS Circular 25/2008)

1. Summary

The Authority welcomes the grant and strongly supports it being distributed using Option C. This Authority is tackling the issues of modernisation, but finds capital investment difficult to fund given:-

- i The extensive nature but relatively low value of its existing estate – e.g. the limited opportunity for significant capital receipts in sparsely populated areas
- ii Addressing central service issues such as headquarters, workshops, training;
- iii Replacing and renewing appliances and other vehicles and equipment.

This matter has not been helped by the inheritance of an aging but debt free estate when the Authority was formed in 1998, but limited levels of SCE through the population based distribution of Formula Grant. This has delivered about £400,000 a year. In the context of a single appliance costing £170,000 this has disadvantaged authorities with large areas but relatively low population.

Q1 Do you agree with the criteria used for establishing an equitable distribution of the Capital Grant?

Yes. It is vital to distribute a significant and meaningful minimum level of grant. Investment in assets is dependent on physical factors and only indirectly on population.

Q2 Which of the options would you prefer CLG to use as the method of distributing FRS Capital Grant?

This Authority strongly prefers Option C. It avoids the disadvantages of Option A which perpetuates the less than meaningful amounts that have been a feature of the Support Grant methodology. It gets away from a totally population based distribution which disadvantages sparsely populated areas. It also produces a much more transparent, simple and fair formula than Option B. Using existing fire stations would lock spending patterns into the past, begs questions about relative weightings of assets, and does not deal with investment opportunities for central or partnership services e.g. related to workshops, training, community fire safety etc.

Q3 Are there other options that you would have preferred that were not included in the consultation?

No, although future consideration might be given to the methodology of distributing SCE the Authority considers difficult to justify.

Q4 Are there any drawbacks to the CLG preferred option (Option C)?

The drawback would appear to be the continued reliance on population as method of distribution, which becomes more marked in 2010/11. Improvement would be to increase the £500,000 fixed sum, and to maintain the balance distributed by population to the same proportion of the total in 2010/11 as in 2009/10.

Q5 In Option C, do you consider £0.5 million a suitable level for the fixed portion of the grant? If not, what level would you think appropriate?

From question 4, the Authority would like to see the £0.5 million increased to at least £0.6 million in 2009/10 and/or by a pro rata increase in 2010/11 to ensure the fixed distribution remains a constant proportion of the total.

Q6 If Option B were chosen, do you think fire stations would be the most appropriate building asset to use?

The Authority thinks Option B is unsuitable because it leads immediately into attempts to evaluate the relevance of existing assets to undertaking future modernisation of the whole estate. It:-

- i Ignores other aspects of the service delivered through the estate, e.g. training, workshops, HQ services, community safety;
- ii Requires judgemental weighting to be given to wholtime or retained stations, and could perpetuate existing service delivery patterns;
- iii Takes no account of the potential to release capital receipts, i.e. might give grant to those with more opportunity for self funding;
- iv Takes no account of existing rental or shared premises arrangements;
- v It could be administratively costly, cumbersome and vulnerable to misinterpretation.

Q7 In Option B, should the buildings data be updated at each settlement or would this act as a perverse incentive when FRAs take decisions on their estate?

It would clearly be against one of the basic principles of revenue support grant distribution if the actions of an authority could lead to increased shares of such a grant. The Authority would be opposed to updating buildings data.