

FIRE CAPITAL GRANT - REVIEW OF FUNDING ARRANGEMENTS

Introduction

1. It was agreed at the last meeting that a longer-term, Scotland-wide, strategic approach is needed to capital investment (including in training facilities) across the Scottish FRSs. This paper sets out some proposals which take into account the concordat and the ongoing discussion about national and local priorities.

Background

2. The development of the current FCG arrangements for the Fire and Rescue Service (FRS) has a long history. Prior to 1996, fire service capital provision was subsumed within the general services programmes of the regional councils, with direct allocation being made to the former joint boards. Following the 1996 re-organisation of local government, a separate programme for capital provision to Fire and Rescue Authorities (FRAs) was established, in which Ministers specified the total amount of grant and how it would be allocated¹.

3. At that time, consideration was given to making specific allocations of grant to each FRS on the basis of an agreed approach to the assessment of need - much in the same way as the GAE calculations operated. However, it seems that this approach was not adopted, largely because there was no agreement on a suitable and fair basis of distribution and also because there was a concern that such an approach would mean that only the larger FRAs would be capable of coping with large, one-off capital projects.

4. The approach which was therefore adopted and which continues to form the basis of the current system is a hybrid one, whereby each FRA receives a formula based allocation to support their basic capital requirements (vehicles, property, equipment, etc) with opportunities for all FRAs to bid for a separate element of "top sliced" grant to support other major works.

Formula Allocation

5. The mechanism used to allocate the formula element of grant was developed by the Scottish Executive Justice Department for the 1996-97 allocation. Prior to its use, it was circulated to all Firemasters and to the Capital Planning Committee of the Working Party on Local Government. It provided a relative assessment of FRAs' capital needs based on the numbers of fire stations, vehicles and personnel in each brigade, weighted against the historic pattern of spending: 50% on buildings, 35% on vehicles and 15% on equipment. This approach has been applied, largely unchanged, since 1996/97. There were plans to update the formula methodology on the back of work undertaken to look at the methodology for distributing Fire GAE in 2007. However, this work was dropped following the establishment of the new approach to finance of local government funding which underpins the Concordat.

¹ These arrangements were carried forward in the Local Government in Scotland Act 2003 Section 37.

Top Slice Arrangements

6. As outlined above, arrangements were also established for funding FRAs' requirements for "top sliced" grant to support major projects which individual FRSs might find difficult to support in any single year. It was originally expected that only a few FRAs would require capital top slice to support major projects in any one year. However, strong annual bidding from FRAs from the outset has ensured that this was never the case. In recent years, Ministers have responded to the highly competitive situation by encouraging FRAs to focus their bids on the priorities for service reform outlined in the Fire and Rescue Services' Framework. Criteria have included: equality and diversity, training facilities, IT systems, spend to save initiatives, national resilience, initiatives to prevent attacks on fire-fighters and support for the retained duty system. However, looking back at the types of projects submitted and funded over the years, it is clear that the boundary between what is funded under formula and what is funded under a top slice bid are now blurred.

Funding Levels and Allocation in Scotland

7. The total amount of FCG has increased by 58% over the last 10 years. In 1998/99, a total of £15.6m was made available to support the investment requirements of the service. In 2001/02, this increased to £19.6m and in 2003/04, this increased by a further £4m to £23.6m to enhance investment in the service. Finally, in 2006/07, a further £1m was provided to FRS in SR 2004 to enhance national resilience. This level of funding has been maintained throughout SR 2007.

8. **Table 1** below records the outcome of FCG allocation decisions from 2003/04 to the current year 2008/09. The table shows that the level of top slice allocation has remained stable at around one third since 2003/04.

Table 1: Allocation of Fire LA Capital Grant 2003/04 to 2008/09

Year	Top Slice (£ms)	Formula (£ms)	Total (£ms)
2003/04	8.0 (34%)	15.6 (66%)	23.6
2004/05	8.0 (34%)	15.6 (66%)	23.6
2005/06	8.0 (34%)	15.6 (66%)	23.6
2006/07	8.0 (32%)	16.6 (67%)	24.6
2007/08	9.0 (37%) ²	15.6 (63%)	24.6
2008/09	8.8 (36%) ³	15.8 (64%)	24.6

2008/2009 Top Slice Grant

9. In 2008/09, Ministers confirmed that the following set of criteria would inform their decisions – national resilience, invest to save, training facilities of a collaborative nature and support for the retained duty system. Due to the very tight financial settlement and the need to secure as much value from the public purse in Scotland as possible, Ministers said they would prioritise bids which were collaborative and which sought funding across more than one year.

² Includes £2m for New Dimensions

³ Includes £1.5m for New Dimensions and £2m for training

10. As in previous years, the number of bids and their value were significant: 36 bids with a total value of £28m in 2008/09 were received. Following a detailed assessment of bids, Ministers agreed to fund 7 projects valued at £8.8m. This included £1.5m to fund national resilience projects administered by the New Dimensions Forum (£0.848m of these largely carried over from the previous year) and £2m held centrally to support training projects emerging from the Training Needs Analysis to be allocated by September 2008. **Table 2** sets out the projects supported in 2008/09 and the ongoing funding commitments of 5 projects in 2009/10 and 2010/11.

Table 2: Approved Top Slice Projects 2008/09

FRA	PROJECT	2008/09 £ms	2009/10 £ms	2010/11 £ms	TOTAL £ms
Fife	New fire station - Pitreavie	1.373	2.423	0.021	3.817
Grampian	Replacement of Anderson Drive Fire Station/RDS availability system (08/09 only)	2.185	0.050	0.000	2.235
Highlands & Islands	Investment in new RDS stations	0.900	0.500	0.500	1.900
Tayside	Combined aerial rescue pump	0.260	0.260	0.000	0.520
Strathclyde	Replace Cambuslang and Parkhead fire stations with one new station	0.559	3.771	0.311	4.641
ND Forum		1.508	0	0	1.508
Training		2.000	0	0	2.000
TOTAL		8.785	7.004	0.832	16.621

Discussion

11. It is clear that a change is required. This was articulated at the recent Ministerial Advisory Sub Group on training investment, where it was agreed that there would be value in CoSLA, the Scottish Government, FRAs and staff representative bodies considering how the service can work together to develop a more long-term, Scotland-wide, strategic approach to capital investment in the fire and rescue services. It was also a view taken in the face of a very tight financial settlement and where the current arrangements were not fulfilling the investment needs of the service on training and national resilience – areas which by their very nature require a Scotland-wide approach.

12. As part of the UK resilience programme, the SG has been working with the FRS to build resilience capacity at a national level in Scotland, the main aim of which is to secure public safety by taking practical steps to reduce the likelihood of such incidents occurring, but also building in appropriate capacity such that we can respond quickly and effectively when they do. The specification of national resilience has been made against an assessment of national threats and risks which has been undertaken by the SG. This programme seeks to ensure that FRAs are sufficiently trained and equipped to deal safely and effectively with major Chemical, Biological, Radioactive, and Nuclear (CBRN) and conventional terrorist incidents on a national scale. To date, the programme has funded the purchase of £12.9m worth of equipment and specialist vehicles to provide the FRS with an enhanced operational capability and a greater level of resilience.

13. In line with the Ministerial criteria set out in paragraph 9 above, there is now a unique opportunity to develop a collaborative approach to national training delivery.

The accompanying paper “Investment in Training Facilities – a Proposed Strategy” sets out proposals for 2008-09 and beyond.

14. Taking all of the above into account it is proposed that **firstly**, there is a need for FRAs to have access to more predictable funding in support of their core investment needs e.g. on other buildings, vehicles and equipment, distinct from the national priorities of training and resilience, in order that they can maintain their assets efficiently and effectively. Such a requirement points towards the removal of some of the current FCG from its ring-fenced arrangements and allowing CoSLA to determine the allocations of the current formula element in the context of the wider funding process now operating. **Table 1** indicates that the proportion of grant allocated on a formula basis has been relatively stable at around 67%. It would seem sensible to carry this funding level into the new arrangement. Under these arrangements, it would be for CoSLA (and constituent authorities) to develop an allocation methodology which takes account of the different sizes and funding needs of FRAs. Once implemented, the allocation of grant would be a matter for CoSLA and constituent local authorities to consider against the wider capital investment requirements. However, such an arrangement could potentially allow FRAs access to the wider capital funding which forms part of the local government settlement.

15. **Secondly**, there is a need to maintain a central funding source to support investment in areas where a national approach is required - such as on national resilience and training.

16. If such an approach is considered appropriate, there is the issue of how best to determine the level of funding required to support national issues. Clearly, future investment planning should be determined by robust business cases, recognising service priorities and real delivery timescales. Such information already informs the training strategy paper and is being collected as part of the ongoing work to develop a national resilience strategy. We can use current estimates of investment to model the spending implications:

16.1 The training strategy points to a need for £8m in 08-09 and 09-10, with potentially more thereafter.

16.2 In terms of national resilience, spend from previous years point to an annual capital funding requirement of £1-2m pa, however CFOA(S) suggest that funding may be higher. We also have to factor in potential additional funding requirements to support investment in control room resilience.

16.3 Finally, we also have to factor in existing financial commitments arising from current top slice bids in 2009/10 and 2010/11 - liabilities which amount to £7m and £0.8m respectively.

17. Seeking to manage the commitments from the existing arrangements whilst implementing the new arrangements will be tricky in the short-term. Already the above estimates point to an over allocation of £6m in 2010/11. However, through careful planning over the next 2 years it should be possible to manage the transition from the current to new arrangements. Three funding scenarios are offered at **Annex A** for discussion as follows:-

- **Scenario 1:** Maintain formula allocation levels at 67% but reduce funding on top slice areas – essentially delaying training decisions by 1 year.

- **Scenario 2:** Meet top slice requirements by reducing formula grant levels to FRAs to 9.6m (40%) in 2009/10 only.
- **Scenario 3:** The transitional costs are shared - such that the formula grant is reduced to £12.5m (51%) but funding for existing top slice commitments and national requirements is similarly adjusted - all on a pro rata basis.

Summary

18. This paper recommends the following changes to FCG funding arrangements:
 - 18.1 CoSLA to take over the administration of a portion of the FCG identified for core activities and all related decision making for its distribution among Fire Boards.
 - 18.2 A top sliced element is retained centrally for Scotland-wide projects such as national resilience and training: the amount to be determined by national strategies agreed by the MAG.
 - 18.3 Transitional arrangements are put in place over the next two financial years to honour the commitment to continue to fund ongoing core activities which received top slice funding in 2008/09. Scenarios are offered at Annex A.
 - 18.4 By 2010/11 to aim to allocate at least 67% (£15.6m) of the Fire LA Capital as part of the (un-ring fenced) local government settlement for distribution to Fire Boards for funding core activities.

ANNEX A: FUNDING OPTIONS FOR FIRE CAPITAL

Scenario 1 (top slice flexes)	2008/09	2009/10	2010/11
Formula allocation	15.8	15.6	15.6
<i>Top Slice</i>	8.8	9.0	9.0
Existing top slice commitments	5.3	7.0	
Training	2.0	1.0	7.0*
National Resilience	1.5	1.0	2.0
TOTAL	24.6	24.6	24.6

Scenario 2 (formula flexes)	2008/09	2009/10	2010/11
Formula allocation	15.8	9.6	15.6
<i>Top Slice</i>	8.8	15.0	9.0
Existing top slice commitments	5.3	7.0	0.8
Training	2.0	6.0	6.2*
National Resilience	1.5	2.0	2.0
TOTAL	24.6	24.6	24.6

Scenario 3 (shared flexing on a pro rata basis including existing commitments)	2008/09	2009/10	2010/11
Formula allocation	15.8	12.5	15.6
<i>Top Slice</i>	8.8	12.1	9.0
Existing top slice commitments	5.3	5.6	2.2
Training	2.0	4.8	4.8*
National Resilience	1.5	1.6	2.0
TOTAL	24.6	24.6	24.6