

HIGHLAND AND ISLANDS FIRE BOARD

24 April 2009

CAPITAL BUDGET FOR 2009/2010 & OUT-LINE CAPITAL PLAN FOR 2010 to 2012

Report by Head of Corporate Services

Agenda Item	
Report No	

Background

The Board received formal notification from the Scottish Government on the 1st April 2009 (letter attached) of its top-slice allocation for 2009/10 amounting to £500,000 in respect of investment in new RDS stations to continue the Board's upgrade programme. Notification was also given that the Board's share of the formula capital allocation is £1,841,616, making an overall allocation from the Scottish Government in 2009/10 of £2,341,616. As in previous years there are also potential "internal sources" of funding available for the Board's capital programme including:

- Income from the disposal of assets estimated at £50,000.
- Useable Capital Receipts Reserve £319,000.
- £100,000 from Revenue Budget (CFCR).

The resultant estimated total capital income available to the Board in 2009/10 is £2,810,616.

The preparation of the capital plan takes account of the Service's strategic aims, IRMP strategy and the benefits from partnership working and has been greatly influenced by the Board's commitment to improve its building stock, vehicle fleet and communications infrastructure.

The proposals and recommendations for allocating the Board's capital programme in 2009/10 are contained in the following pages, together with the out-line capital plan for 2010/11 and 2011/12.

1.) Capital Budget 2008/09

1.1) Building/New Premises Programme

As Members are aware, the Board has a challenging task to ensure that its premises are adequate to meet the needs of the 21st century and the Board's IRMP. To meet this challenge, the Board has endeavoured to have a substantial capital build programme and indeed, in 2008/09, the Board undertook major projects at Tongue and Rousay, and completed projects at Fort William, Aultbea, Helmsdale and Scourie. The challenge to ensure that our premises are fit for purpose remains the main element of our capital programme and thus it is proposed to allocate the sum of **£1,391,000** to new buildings in 2009/10, £250,000 in 2010/11 and £250,000 in 2011/12. The proposed new build starts in 2009/10 include a new station at Lochboisdale and a partnership venture with the Highland Council and the Maritime and Coastguard Agency to incorporate a fire station in the new school at Lochaline.

Capital Expenditure on New Buildings	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Completion of on-going projects			
Fort William	12		
Aultbea	20		
Helmsdale	84		
Scourie	20		
Tongue	245		
Rousay	358		
Carrbridge	2		
Proposed Expenditure on new projects			
Lochboisdale	350	250	
Lochaline	300		
New Start to be determined by IRMP process			250
Total	1,391	250	250

1.2) Site/Property Purchases

An integral part of the Board's upgrade policy is to identify and acquire suitable buildings and sites to ensure the continuance of its upgrade policy. It is proposed to allocate **£300,000** for site / property acquisitions in 2009/10, **£250,000** in 2010/11 and **£300,000** in 2011/12 inline with the IRMP process. Included within the 2009/10 budget is £100,000 for the purchase and refit of a unit at Baltasound.

1.3) Major Repairs

It is proposed to allocate **£305,000** to Major Repairs in 2009/10, **£300,000** in 2010/11 and **£300,000** in 2011/12. The maintenance and repair of premises continues to be a challenge and priority issues in 2009/10 include:

- Drill tower Inverness Station
- Roof – Kirkwall station
- Fire station doors at Thurso, Kyle and Inverness
- Improvements to premises at Harbour Road & Seafield Road.

1.4) Vehicles & Equipment

Members are reminded that, in addition to the significant estate challenge, the Service also has to address the challenge of improving its vehicle fleet. HIFRS has approximately 155 operational vehicles – the second largest fleet in Scotland. Rigorous fleet management procedures have extended the current average vehicle life to 15 years (the longest in Scotland) but approximately 10 new vehicles are still required every year just to maintain the fleet.

It is proposed to allocate a sum of **£531,000** to be spent on the purchase of vehicles and operational equipment in 2009/10, **£928,000** in 2010/11 and **£928,000** in 2011/12. Members should note that the lower level allocation of £531,000 in 2009/10 reflects the Board's decision to bring forward approximately £400,000 from 2009/10 to 2008/09.

1.5) Communications/Information Technology

The Board has recognised that it is essential to ensure that the Service adopts communication and information technology systems which meet the geographical challenges faced by the Service and which will contribute to the safety and wellbeing of its communities in the 21st century. It is proposed to allocate the sum of **£288,000** in 2009/10, **£220,000** in 2010/11 and **£200,000** in 2011/12, to be spent on the provision of communication and information technology equipment to meet the ongoing IT/Communication needs of the Service (see table below)

IT / Communications	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Mobile data terminals MODAS	144	127	
Command & Control Upgrade (Fortek Vision)	89	63	
Pager Replacements	30	30	30
Other	25		170
Total	288	220	200

2) “Out-line” Capital Plan for 2010/11 and beyond

The historic system for capital funding via Government grants and top slice allocations is under review. Traditionally, the Board received approximately £1.8M of capital grant from the Scottish Executive as its “pro-rata” share of the funds available to the Scottish Fire Service. This was supplemented by “Top Slice Funding”, the specific amount being determined on a year to year basis. Thanks to the support of the Scottish Government, the “Top Slice Funding” has made a significant contribution to the Board’s ability to continue its retained upgrade programme.

The future system of capital funding for the Scottish Fire Service has yet to be determined, but it is likely that the Government will no longer individually identify a capital grant for each service; instead the distribution of capital funding may be determined by COSLA. The situation regarding “Top Slice Funding” also remains uncertain, with no guarantee that it will continue, or if it does, what the mechanism for its distribution will be.

Clearly there is uncertainty as to how future capital funding will be provided, both for ongoing expenditure and for any major new initiatives such as the building of a fire station. In the absence of a guaranteed capital grant income stream the “out-line” plans for 2010/11 and 2011/12 are based solely on an estimated £1.842M – equating to the previous “pro-rata” annual capital grant. Based on this level of core funding, supplemented by capital receipts and transfers from revenue, a capital programme of £1,948,000 is proposed for 2010/11 and £1,978,000 for 2011/12. Members have to note however that this is based on estimates only and that, at this point in time, the capital income to fund the future programme is not guaranteed.

Members should also note that the anticipated level of capital funding in 2010/11 and 2011/12 will, due to ongoing capital commitments, only permit the building of one new fire station every two years. Should the Board wish to maintain the build programme of previous years (approximately two new fire stations per annum) then additional capital funding will have to be identified to compensate for the loss of top slice allocation. A paper investigating possible options will be presented at a future Board meeting.

The scale of the capital challenges facing HIFRS is enormous and is further complicated by the lack of clarity concerning future funding. This is an issue that cannot be solved solely by the Board and requires national support. To this end the Board must continue to work with the Government, COSLA and Constituent Authorities to secure the necessary financial support.

RECOMMENDATION

1. That the Board approves the proposed capital programme for 2009/10, as outlined in Appendix 1, and the Outline Plan for 2010/11 and 2011/2012.
2. That the Board continues to engage with the Government, COSLA and Constituent Authorities to secure the necessary funding for 2010/11 and beyond.

ALEX MACALLISTER
HEAD OF CORPORATE SERVICES

09 April 2009



Chief Fire Officer, Highlands & Islands Fire & Rescue Service
Highlands & Islands Fire Board
Clerk of the Board

Our ref: Fire capital grant allocation 2009/2010
1 April 2009

Dear Chief Fire Officer

Fire LA Capital Grant 2009/10

I am writing to confirm that Scottish Ministers have agreed to make a top **slice grant of £500,000 for 2009/10** in respect of **investment in new RDS system** and to provide **£1,841,616 formula grant** for 2009/10 to meet local needs (see below). These allocations are made under Section 37 of the Local Government in Scotland Act 2003 and are subject to the attached conditions. All grants are awarded subject to the understanding that the Grantee will comply with all the attached requirements.

I draw your attention in particular to paragraph 4 of the attached grant conditions which requires you to provide a short statement at the end of May, November and February on the progression of the approved top slice projects and types of activities funded or likely to be funded through the formula grant. This information will enable Ministers to report to Parliament as necessary on the use of the funds.

£15.6m has been allocated in total to the eight Fire and Rescue Authorities across Scotland on a formula basis to be spent on local needs (e.g. maintenance and renewal of vehicles required to deal with local risks). Given the current financial climate, Ministers are of the view that any proposals to spend any formula grant on matters of national or potentially national priority (e.g. significant training facilities or equipment designed primarily to contribute to enhancing national resilience) should be discussed in advance and in partnership with CoSLA and the Scottish Government, to avoid unnecessary duplication or overlap. Please contact me as soon as possible if you are considering spending any formula grant on these matters.

Please sign the attached Grant Acceptance and return it to me as soon as possible. If you have any queries please contact in the first instance Diane.Lovie@scotland.gsi.gov.uk on 0131 244 3534.

Yours sincerely

Robert Skey
Scottish Resilience
Governance, Funding and Performance Team

Offer of Capital Grant for 2009/2010

The Scottish Ministers in exercise of their powers under section 37 of the Local Government in Scotland Act 2003 hereby offer to give Highlands & Islands Fire & Rescue Service a grant of **£500,000 top slice for investment in new RDS system** and **£1,841,616 formula**, payable over the financial year 2009/2010 and subject to the following conditions:

1. Definitions and interpretation

- 1.1. In these conditions, the words and expressions set out in **Schedule 1** shall have the meanings ascribed to them in the Schedule.
- 1.2. The headings in these conditions are for convenience only and shall not be read as forming part of the conditions or taken into account in their interpretation.
- 1.3. Except as otherwise provided in these conditions, any reference to a clause, paragraph, subparagraph or schedule of these conditions.

2. Purpose of grant

The grant covered by these terms and conditions is in respect of capital expenditure as defined in the Local Authority Statement of Recommended practice (SORP) and is made under section 37 of the Local Government in Scotland Act 2003 to assist Joint Fire Boards and Fire Authorities in discharging their duties under the Fire (Scotland) Act 2005.

2.1. Top slice

- 2.2. The grant is made to enable the Grantee to carry out approved top slice projects.
- 2.3. The grant shall only be used for the purpose of the approved top slice project and for no other purpose whatsoever.

2.4. Formula

- 2.5. The grant is made to enable the Grantee to implement local priorities and ongoing capital development plans.

3. Payment of grant

- 3.1. The grant shall be paid by Scottish Minister to the Grantee in accordance with the terms of **Schedule 2** attached.
- 3.2. The Grantee shall within six months following the end of each financial year in respect of which the top slice grant has been paid and of receiving the final instalment of the formula grant submit to the Scottish Ministers a statement of compliance with the conditions of the grant using the form of words provided in **Schedule 3**. The statement shall be signed by the Chief Officer.

3.3. In the event that the amount of the grant paid by Scottish Ministers to the Grantee at any point in time is found to exceed the amount of the expenses reasonably and properly incurred in connection with the top slice project, the Grantee shall repay to the Scottish Ministers the amount of such excess within 14 days of receiving a written demand for it from or on behalf of Scottish Ministers.

4. Inspection and information

4.1. The Grantee shall provide Scottish Ministers with a short statement as detailed in **Schedule 4** by the end of May, November and February of the relevant financial year on the progression of the approved top slice project and on the types of activities funded through the formula grant.

4.2. The Grantee shall provide the Scottish Ministers with prompt access to any other information they reasonably require to ensure compliance with these conditions.

4.3. The Grantee shall keep and maintain for a period of six years after expenditure occurs, adequate and proper records and books of account recording all receipts and expenditure of monies paid to it by Scottish Ministers by way of the grant. The Grantee shall afford the Scottish Ministers, their representatives, the Auditor General for Scotland, his/her representatives and such other persons as the Scottish Ministers may reasonably specify from time to time, such access to those records and books of account as may be required by them at any reasonable time in response to a written request for such access from the person seeking it. The Grantee shall provide such reasonable assistance and explanation as the person carrying out the inspection may from time to time require.

5. Confidentiality and Compliance

5.1. The Grantee will respect the confidentiality of any commercially sensitive information that they have access to as a result of this grant.

5.2. Notwithstanding the above, the Grantee may disclose any information as required by law or judicial order. All information submitted to the Scottish Ministers may need to be disclosed and/or published by the Scottish Ministers. Without prejudice to the foregoing generality, the Scottish Ministers may disclose information in compliance with the Freedom of Information (Scotland) Act 2002, any other law, or as a consequence of judicial order, or order by any court or tribunal with the authority to order disclosure. Further, the Scottish Ministers may also disclose all information submitted to them to the Scottish or United Kingdom Parliament or any other department, office or agency of Her Majesty's Government in Scotland, in right of the Scottish Administration or the United Kingdom, and their servants or agents. When disclosing such information to either the Scottish Parliament or the United Kingdom Parliament it is recognised and agreed by both parties that the Scottish Ministers shall if they see fit disclose such information but are unable to impose any restriction upon the information that it provides to Members of the Scottish Parliament, or Members of the United Kingdom Parliament; such disclosure shall not be treated as a breach of this agreement.

5.3. The Grantee shall ensure that all requirements of the Sex Discrimination Act 1975, the Race Relations Act 1986, the Disability Act 1995 or the Data Protection Act 1998 are fulfilled in relation to the grant.

- 5.4. The Grantee shall ensure that in relation to the grant, they and anyone acting on their behalf shall comply with the relevant law, for the time being in force in Scotland.
- 5.5. No part of the grant shall be used to fund any activity or material which is partly political in intention, use or presentation or appears to be designed to affect support for a political party

6. Disposal of Assets

In the event that the Grantee disposes of any asset funded wholly or partly with top slice during the lifetime of the asset Scottish Ministers shall be entitled to the proceeds of the disposal or a relevant proportion of the proceeds – which the Scottish Ministers acting reasonably and following consultation with the Grantee, may require.

7. Publicity

The Grantee shall acknowledge in all publicity material relating to top slice projects the contribution of the Scottish Ministers to its costs. The Scottish Ministers may require to approve the form of such acknowledgement prior to its first publication.

8. Default

- 8.1. The Scottish Ministers may re-assess, vary, make a deduction from, withhold, or require immediate repayment of the grant or any part of it in the event that:
- 8.1.1. The Scottish Ministers consider that any change or departure from the purposes for which the grant was awarded warrants an alteration in the amount of the grant;
 - 8.1.2. The Grantee fails to carry out the project(s) for which top sliced has been approved;
 - 8.1.3. In the Scottish Ministers' opinion, the progress on approved top slice projects(s) is/are not satisfactory; or
 - 8.1.4. In the Scottish Ministers' opinion, the future of approved top slice project(s) is/are in jeopardy.
- 8.2. Notwithstanding the provisions of clause 8.1 in the event that the Grantee is in breach of any of the conditions, the Scottish Ministers may, provided that the breach is capable of a remedy, postpone the exercise of their rights to recover any sum from the Grantee in terms of clause 8.1 for such period as they see fit, and may give written notice to the Grantee requiring it to remedy the breach within such period as may be specified in the notice. In the event of the Grantee failing to remedy the breach within the period specified, the Grantee shall be bound to pay the sum to the Scottish Ministers in accordance with the foregoing provisions.
- 8.3. Any failure, omission or delay in Scottish Ministers in exercising any right or remedy to which that are entitled by virtue of clauses 8.1 to shall not be construed as a waiver of such right or remedy.

9. Corrupt Gifts and Payments of Commission

The Grantee shall not offer or give any person any gift or consideration of any kind as an inducement or reward in relation to this grant. The Grantee shall ensure that its employees shall not breach the terms of the Prevention of Corruption Acts, 1889 to 1916 in relation to this or any other grant.

10. Continuation of conditions

These conditions shall continue to apply for a period of 5 years after the end of the financial year in which the grant was paid unless they are changed by the Scottish Ministers.

11. Acceptance of grant

If you wish to accept the offer of this grant on the terms and conditions as set out in the offer and annexed schedules, you should sign and date the grant Acceptance overleaf and return it to Diane Lovie, Scottish Resilience, 1R St Andrew's House, Regent Road, Edinburgh EH1 3DG. You should retain a copy of the offer of grant and scheduled for your own records.

SCHEDULE 1

DEFINITIONS

“**Agreement**” means the agreement constituted by the Scottish Ministers’ invitation to apply for a grant, the Grantee’s Application, these Conditions and the Grantee’s acceptance of these Conditions;

“**Conditions**” means these grant conditions;

“**Financial Year**” means a period from 1 April in one year until 31 March in the next;

“**Grant**” means the total grant (top slice and formula) offered by the Scottish Ministers to the Grantee as specified in award letters.

“**Grantee**” means the Fire and Rescue Authority to which the grant will be payable as specified in these conditions.

“**Top Slice grant**” – means the amount of grant approved for specific capital projects aligned with the priorities of the Scottish Ministers.

“**Top Slice Project**” means the purpose for which the top slice grant has been awarded as described in the award letter;

“**Formula grant**” means the proportion of grant determined by comparing each of the Scottish Fire and Rescue Authorities against a set of established criteria and dividing the total accordingly.

“**Payment**” means each of the payments specified in Schedule 1 hereto.

SCHEDULE 2

PAYMENT OF GRANT

1. Top slice grant shall be payable by the Scottish Ministers to the Grantee on 1 April or as close to this date as possible following notification of a successful bid.
2. Formula grant shall be payable in 12 equal instalments on the 16th of each month. If the 16th is not a working day, the grant shall be paid on the last working day prior to the 16th.
3. The total grant shall be payable over the financial year 2009/10.
4. If a Grantee is likely to underspend either top slice or its formula grant, that Grantee may carry forward that underspend to the next financial year provided that the amount carried forward does not exceed 10% of either the top slice or the formula grant.
5. An amount exceeding 10% of either top slice or formula grant can only be carried forward with the written consent of the Scottish Ministers who will judge each case on its merits.
6. A Grantee may be required to return unspent top slice and / or formula grant in excess of 10% to the Scottish Ministers, if the Scottish Ministers determine that this would be appropriate.

Highland & Islands Fire Board
Capital Budget for 2009/10 and Out-line Plan for 2010 to 2012

Estimated Capital Funding	Estimated Outturn	Proposed Budget	Outline Plan	
	2008/09 £'000		2009/10 £'000	2010/11 £'000
Capital Grant (Estimated -for 2010/11 &2011/12)	1,867	1,842	1,842	1,842
Supplementary allocation (Top Slice funding)	900	500		
	2,767	2,342	1,842	1,842
Capital Receipts generated in year (Estimated)	120	50	50	50
Capital Funded from Current Revenue (Estimated)	150	100	100	50
Useable Capital Receipts Reserve	427	319	(4)	40
Total Estimated Capital Funding	3,464	2,811	1,988	1,982
Proposed Capital Programme	Estimated Outturn	Proposed Budget	Outline Plan	
	2008/09 £'000		2009/10 £'000	2010/11 £'000
Completion of Ongoing Build Projects				
Various (incl. Beauly, Duvegan, Lochcarron)	38	-	-	-
Fort William	201	12	-	-
Scourie	245	20	-	-
Helmsdale	269	84	-	-
Aultbea	220	20	-	-
Tongue	303	245	-	-
Rousay	154	358	-	-
Carrbridge	70	2	-	-
Proposed Expenditure on New Build Projects				
Lochboisdale	-	350	250	-
Lochaline	-	300	-	-
New Start to be determined by IRMP	-	-	-	250
Total New Build Programme	1,500	1,391	250	250
Site / Property Purchases	24	300	250	300
Major Repairs	25	305	300	300
Vehicles & Equipment	1,350	531	928	928
IT & Communications	246	288	220	200
Total Planned Expenditure	3,145	2,815	1,948	1,978
Estimated Over/(Under) Spend	(319)	4	(40)	(4)