Distribution of Fire Capital Grant

Issued by:
Alan M Turnbull
Programmes, Finance and Performance Division

Addressed to:  Please forward to:
The Chair of the Fire and Rescue Authority
The Chief Executive of the County Council
The Clerk to the Fire and Rescue Authority
The Clerk to the Combined Fire and Rescue Authority
The Commissioner of the London Fire and Emergency Planning Authority
The Chief Fire Officer
Treasurers
Finance Directors

Summary
This circular provides details of individual authority allocations of FRS capital grant. Communities and Local Government are distributing £34m in 2009/10 and £44m in 2010/11. It also provides a summary of responses to the consultation on the distribution of this grant.

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1.0 Introduction

1.1 As part of the CSR07 settlement Communities and Local Government (CLG) secured new capital grant funding for the Fire and Rescue Service (FRS) in England of £34m in 2009/10 and £44m in 2010/11.

1.2 CLG consulted on three options for the distribution of this new grant between all English Fire and Rescue Authorities (FRAs). Ministers have now decided that the grant will be allocated on the basis of a fixed sum, £0.5m per year, to every authority with the balance distributed according to population. This circular contains confirmation of the individual authority allocations and a summary of responses to the consultation that was carried out with authorities earlier this year.

2.0 Background

2.1 In CSR07, CLG bid for additional capital resources for the FRS. The bid was successful and £78m will be distributed to FRAs in 2009/10 and 2010/11.

2.2 A further £2m will be available to support FRAs that commit to the higher recruitment targets as set out in the Equality and Diversity Strategy (see http://www.communities.gov.uk/news/corporate/811726). Letters of commitment were due to be received from FRAs by 3 December. FRAs’ target proposals are currently under consideration. Further guidance on the arrangements for distribution of this pot this will issued in due course.

2.3 The £78m capital grant represents new money which is paid ‘up-front’ and will not involve borrowing. With the exception of a requirement that the capital grant only be used for capital expenditure, the grant will not be ringfenced and it will be distributed directly to FRAs each year without the need for them to apply or bid for it.

3.0 Individual authority allocations

3.1 The figures at Annex A show the individual authority allocations for 2009/10 and 2010/11. The allocations for 2010/11 are made on an indicative basis, but it is the Government’s policy only to alter those indicative allocations in exceptional circumstances.

3.2 CLG consider that the option chosen for the distribution of this grant, a fixed figure plus a top-up based on population, delivers sufficient funding to provide a meaningful level of investment for every authority. (The Isles of Scilly is allocated £50,000 per annum).

4.0 Summary of Responses to the Consultation

4.1 CLG consulted with FRAs in June and July 2008. A summary of the responses received is attached at Annex B.

Alan M Turnbull

Programmes, Finance and Performance Division
## ANNEX A

### CAPITAL GRANT ALLOCATIONS: 2009/10 and 2010/11

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<th>Fire &amp; Rescue Authority</th>
<th>2009/10</th>
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</table>
Distribution of Fire Capital Grant

ANNEX B

Distribution of Fire Capital Grant: Summary of Consultation Responses

1.0 Background

1.1 As part of the CSR07 settlement Communities and Local Government (CLG) secured new capital grant funding for the Fire and Rescue Service (FRS) in England of £78m. This funding is not ring-fenced and will be distributed to FRAs in 2009/10 and 2010/11, £34m in year 1 and £44m in year 2. This funding replaces investment previously delivered by the FRS Private Finance Initiative Programme and is primarily given to assist FRAs with their estate plans and improvements.

1.2 A consultation paper was issued (FSC 25/2008) on 12 June which proposed three options for the distribution of the grant between all English Fire and Rescue Authorities (FRAs). FRAs were invited to submit any comments or suggestions on these options by 25 July 2008.

1.3 Having taken account of the responses to the consultation the Minister for Fire and Resilience, Sadiq Khan, has announced that in 2009/10 and 2010/11 the capital grant funding would be distributed by allocation of a fixed amount of £500,000 per year to each authority with the balance distributed in line with population of each authority. This paper summarises the responses to this consultation.

1.4 The grant allocations for financial year 2009/10 and the indicative grant allocations for 2010/11, as calculated in accordance with the chosen grant distribution methodology, are set out in Annex A. Our policy is not to alter indicative allocations other than in exceptional circumstances. Grant will be paid via grant determinations made under section 31 of the Local Government Act 2003.

2.0 Options

2.1 CLG established the following objectives for the distribution formula - the need to provide a meaningful grant level to all authorities, a transparent formula, a formula which would not conflict with the approach taken in relation to Formula Grant, one that was fair and robust with regard to weightings or other factors – and proposed three options for consultation:

a) Distribution according to the existing formula for Supported Capital Expenditure.

b) Distribution according to the number of building assets owned by the authority.

c) An allocation of a fixed sum, £0.5m per year, to every authority with the balance distributed according to population.

CLG proposed that the Isles of Scilly was to be allocated £50,000 per annum under each option.
3.0 Questions to be considered

3.1 CLG had a list of 7 questions that could be used to structure responses but any comments or suggestions on the distribution of FRS capital grant were welcome. Responses were requested by 25 July and the questions were:

Q1 Do you agree with the criteria used for establishing an equitable distribution of the capital grant?

Q2 Which of the above options would you prefer CLG to use as the method for distributing FRS capital grant?

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

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

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

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

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

4.0 Overall summary of responses

4.1 38 responses were received, of which one was a joint response from the Metropolitan Chairs, Chiefs and Treasurers on behalf of the seven Metropolitan Fire Authorities and another was from the Society of County Treasurers (SCT). Many individual Fire and Rescue Authorities within those two groups also sent their own response to the consultation.

4.2 There was a clear division between the views of the 7 Metropolitan (Met) FRAs (including London) and the other FRAs. All of the individual Met FRAs and their group response strongly preferred Option A since they maintain that it is the only option that allocates the grant in line with risk.

All of the responding combined and county FRAS preferred either option B or C. A total of 25 FRAs preferred option C (including authorities covered by the group response from county treasurers) compared to 7 that preferred Option B. One FRA expressed an equal preference for both B and C.
5.0 Detailed responses to each individual question

**Q1. Do you agree with the criteria used for establishing an equitable distribution of the capital grant?**

5.1 Of the 38 responses to the consultation, 31 responses answered this question including the two group responses. Of these 31 responses, 22 agreed with the criteria.

Comment supporting the criteria included the following:

“We agree with the approach set out on the consultation document. Distribution of the capital grant should be achieved through a transparent formula that provides a meaningful level of grant to all authorities.” (Combined Fire Authority)

“(We) support the use of a funding formula that is transparent and simple but fair and robust, which would potentially be used beyond the CSR07 period”. (County Fire Authority)

The FRAs that did not agree with the criteria were mainly Met FRAs (including London) and also one Combined Fire Authority as the criteria did not include ‘risk’.

“It is a generally well held principle of the modern fire and rescue service that resources should be aligned and applied according to risk. This underlying principle is critical to the national framework and the IRMP’s developed by each individual authority. This principle is equally applied to the revenue support grant for fire and the concept is well accepted and supported within the UK Fire and Rescue Service. It is considered essential that the allocation methodology of any resources should therefore be in line with risk profiles and should be done in such a way as to maximise the return against national targets. The allocation of resources should seek to reduce fires, reduce injuries and make communities safer”. (Met Fire Authority)

**Q2. Which of the above options would you prefer CLG to use as the method for distributing FRS capital grant?**

5.2 Of the 38 responses to the consultation, 37 expressed support for at least one of the options. Of these, 6 preferred Option A, 7 preferred Option B and 23 preferred Option C. Taking account of the fact that two of the responses were from groups of authorities the actual responses to the question were:

- Option A: 7
- Option B: 7
- Option C: 25
- Either B or C: 1
- No Preference: 1
5.3 The Met Authorities were in favour of Option A. “It is very clear from an analysis of the options that option 1 is the only one that allocates grant broadly in line with the risks facing communities and the need for a fire and rescue service. Options 2 and 3 are not at all in line with a risk based allocation and should not be used”. (Metropolitan Fire Authority)

5.4 Among those authorities that favoured Option B one commented “If the grant allocation is to improve facilities it would make sense to distribute the total grant based on the number of operational stations, and we believe this is the most equitable basis on which to allocate this grant, and also to allocate future supported capital expenditure. It also seems reasonable to give a higher weighting to whole-time stations than retained”. (Combined Fire Authority)

5.5 The majority of responses favoured Option C. Typical of the supporting comments “This will ensure that each Service is able to make meaningful provision for improvements across a range of building assets”. (Combined Fire Authority)

5.6 Of those expressing a preference for Option C, 3 FRAs suggested modifying the option by reducing the fixed sum to £150,000 (County), population alone or Council Tax base (County) and a link with the growth in housing stock. (County).

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

5.7 There were 19 suggestions of other options, or modified options, included in the responses. These included:-

“Consideration might be given to a formula based upon the same sort of criteria as the revenue grant formula which whilst not ideal is broadly based upon risk”. (Met FRA)

“Using population as the basis, without a fixed level for each authority, would be a simpler and fairer option. It would be easier to apply and would not be dependent on statistics that could be affected by local interpretations”. (Combined FRA)

“An option predicated on risk and deprivation”. (Combined FRA)

“As there is an obvious correlation between the number of uniformed staff and the number of fire stations within each FRS, there is potential for an alternative approach based on operational personnel”. (County)

“An element of the allocation could be based on backlog maintenance data from asset management plans i.e. this would be an objective indicator of investment need”. (Combined FRA)
It would be more beneficial if the distribution of funding was more directly related to growth. The distribution could also adopt the approach of the Housing and Planning Delivery Grant, which recognises growth by an increase in the dwelling stock within a local area. This approach is beneficial as it is clearly linked to growth and scale of new challenges and pressures”. (County)

"Modified Option C (or in fact a combined B/C) - Reduce the fixed sum to £200k, and allocate the remainder based on number of fire stations”. (County)

"If the distribution is to be based on an estates basis then regional differences in building costs and the age profile of buildings should form factors. A factor should also include the priority for works to address DDA and the need to accommodate women fire-fighters. Consideration could also be given to an approach that recognises risk factors”. (Met FRA)

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

5.8 A total of 25 responses pointed to drawbacks to the CLG preferred option. These included:

"Option C is completely inequitable since despite the fact that 50% of the threat and risks facing communities is in the cities it only allocates 24% of grant to the Metropolitan areas. The failings of this system are particularly highlighted by considering the case of the Isle of Wight. In total the Isle of Wight has 0.19% of all fires and serves 0.28% of the population yet this methodology would allocate it 1.4% of the total grant – almost a million pounds more than if it was allocated on a risk basis. This seems absurd. Option C provides Metropolitan Authorities with £20m less than a risk based allocation would seem to suggest”. (Met FRA)

"Since the consultation does not provide any evidence, (we) must assume the fixed amount of £0.5m has been set by ministerial judgement. (We) would have concerns if this ministerial judgement were not evidence-based and transparent”. (County)

"The fixed sum of £500k gives disproportionate allocations to smaller FRS. Using alternative fixed sums of either £250k or £150K …is considered more appropriate”. (County)

"Do not believe this is the most appropriate means of distributing this grant, as population does not provide an accurate measure of the number of fire stations required, for instance it ignores any allowance for scarcity or for activity levels within areas”. (Combined FRA)

"The lack of the inclusion of risk and deprivation” (Combined FRA)
"Allocating a minimum of £0.5m per annum to all authorities penalises larger authorities which are faced with the same investment needs as small authorities but across a larger number of buildings. If concerned that the allocation does not give a “meaningful” sum to small authorities, it should increase the £78m available nationally instead of reducing the allocations for larger authorities to levels that are implicitly less than “meaningful” by disproportionately rewarding small authorities, the application of flat amounts per authority as part of a formula allocation process directly contradicts the Government’s own agenda for improving efficiency by encouraging small units to work together or combine". (Combined FRA)

“If option C is used then consideration should be given to up-rating the element relating to the fixed sum each year and not leaving it at a fixed amount into the future, allowing it to become proportionately less each year over time. It should either be updated as a fixed proportion of the total quantum amount of grant available, or it should be at least be upgraded for inflation each year”. (County)

“We believe that the fixed portion of the grant will need to be updated each year to maintain the same distribution across FRAs. Without this the proportion of grant distributed to FRAs in areas of lower population will be eroded over time in favour of those areas of higher population”. (Combined FRA)

“It is difficult to understand why this option is included in the first place. The allocation of a £0.5m for each FRA is just an arbitrary allocation, which bears absolutely no relationship with an FRA’s need to spend on capital. This inevitably results in an inequitable share. In addition the use of population in the formula is just too simplistic, which again bears no relationship to spending needs. If option C were to be applied then it would make much more sense to include the number of building assets rather than population”. (Combined)

“Option C is based upon the use of historic trend-based projections and therefore does not recognise growth”. (County)

“It is not adjusted for the Isle of Wight Council. They would gain significantly despite their small population”. (Combined FRA)

“Better to use population extrapolations used in Formula Grant rather than mid-year figures for all years”. (Combined FRA)

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

5.9 Of the 31 comments received under this heading, 15 were positive and 14 were negative. Many of the negative comments related to a rejection of the option C and often mirrored comments against other questions (For example Met FRAs said that the high level of fixed grant proportion means that allocation is not in line with risk). Among other responses that dealt directly with the level of the fixed amount were the following:-

“£0.5m is too high. If you wish to maintain a minimum level of funding we feel a figure of £0.250m would be more appropriate. This will still give smaller Authorities a higher overall proportion of the grant than would otherwise have been the case, but will limit this to a more reasonable amount, and will not penalise larger Authorities”. (Combined FRA)
“£0.5m is not of a high enough level. The higher the level the more equitable the share for all fire authorities”. (Combined FRA)

“Preferred fixed sum is £150K” (County)

“Like to see the £0.5m increased to at least £0.6m in 2009/10 and or by pro rate increase in 2010/11 to ensure the fixed distribution remains a constant proportion of the total”. (Combined FRA)

“We believe that the fixed element should be much lower i.e. £100k” (Combined)

“ Seems to be a reasonable level. However may wish to consider the merits of distributing a set proportion of the years grant as a lump sum per FRA rather than a set sum. Option C figures 66% of 2009/10 grant would be distributed as lumps sums but this falls to about 52% in 2010/11, simply because the total for distribution is higher”. (County)

“The level is acceptable but this element should be maintained as a percentage of the total or updated for inflation”. (County)

“This is a matter for the CLG but as a guide we replace on average 3 - 4 front line appliances a year at a cost of £180,000 each. (An average of £630,000 per year). That is before we even get onto special appliances and buildings. The sum we will receive will be welcomed but is not enough (on any method) to meet the capital investment costs facing this Authority”. (Combined FRA)

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

5.10 Of the 27 responses that answered this question 11 were positive and 16 were negative. Many of the negative comments related to a rejection of the option B.

“Option B is inappropriate. Fire stations are very different across the country in their construction, usage and volume of calls dealt with. A busy whole-time urban fire station is completely different from a quiet rural retained fire station. To give the same weighting to need for capital investment (which options B and C do) is inappropriate and perverse. It does not allocate resources in line with risk. There remains a risk that this methodology would also mitigate against efficiency savings being delivered by closing/consolidating fire station on the basis of risk profiles. Option B provides Metropolitan Authorities £16m less than a risk based allocation would seem to suggest is appropriate”. (Met FRA)

“Whilst fire stations would on the face of it be the most appropriate asset to use it is not necessarily a good measure of need to spend. What is important is the state of repair and the need to invest maintain the stock. Clearly the more assets are used the more often they require maintenance and replacement. In addition it does not measure need to spend on community facilities. The Fire Service is a risk based service which means that in certain area fire stations are provided where there is very little activity and...wear and tear, the inclusion of these ...would skew allocation. Allocation based on risk is a much better measure of need to spend”. (Met FRA)
“It is not appropriate to use building assets as the basis for the distribution of grant. This will act as a disincentive to authorities to look at the most efficient and effective use of their assets through rationalisation. We therefore do not support this approach”. (County)

“No it does not allow for training centres, headquarters, administration centres etc. Nor does it reflect the state of repair of the existing stock nor their status, for example we have a listed fire station”. (Combined FRA)

5.11 On the more positive side some comments were:

“Yes they house emergency equipment and are at the centre of the local communities. However, existing fire stations do not take account of future need”. (County)

“Yes, however this should only include currently operation stations i.e. not ones which have been replaced and are awaiting disposal or conversion”. (Combined FRA)

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

5.12 Of the 20 responses that answered this question directly, 15 were positive in that they either supported updating at each settlement or at each 3-year settlement and 5 were against any updating at all.

“If this option were to proceed, it would seem logical to update building data for each settlement round”. (Combined FRA)

“The data should be updated at the settlement and although this may influence decision making the Fire and Rescue Authorities will still be assessed on the Value for Money criteria which should ensure that decisions are based on sound professional advice and need rather than the capital grant allocation”. (Combined FRA)

“The data should be as up-to-date as possible. Given the range and importance of the issues considered by fire and rescue authorities in taking decisions about opening, closing or rationalising fire stations, it is not credible to argue that relatively small amounts of capital grant would be a deciding factor”. (Combined FRA)
6.0 **Communities and Local Government comments on FRA responses**

6.1 The main point in the case presented by metropolitan authorities for option A was that it would distribute funding more closely in line with risk. However, the grant was allocated as part of CSR07 as a partial replacement for the FRS PFI programme and, although not ring-fenced, is intended to enable improvement of the estate of the FRS. It is not intended to be a risk-based grant since the cost and maintenance of a fire station will be similar for all FRAs (hence the inclusion of Option B). Authorities with large rural areas will have estate issues related to the need to maintain a large number of stations covering a large geographical area, in some cases with a sparse population base.

6.2 Various suggestions were received from FRAs on how Option C might be amended. These included both lowering and raising the fixed amount, increasing the fixed amount with inflation in the second year (and subsequent years if applicable) and setting the fixed amount as a proportion of the total.

6.3 A reduction of the fixed amount, for example to £250,000, was supported by some large Combined Fire Authorities. In the Department’s view, this would not provide sufficient funding to enable a meaningful programme for some authorities. Evidence suggests that refurbishing a whole-time fire station and including community facilities can cost anything between £800k and £2.2m depending on size and condition. Refurbishment of a retained fire station can be around £500k to 750k. Adding community facilities alone to existing fire stations could cost between £100k and £150k depending on size and ambition.

6.4 The idea of increasing the fixed amount by inflation or of fixing the amount as a percentage of the total would protect the allocation to smaller authorities in future years assuming that this capital grant continues in further spending reviews. However, there is no guarantee of this and if so what the level might be. A fixed percentage of a lower amount of grant would not necessarily provide each FRA with a substantial amount of grant, Consequently it would not be appropriate to set a formula for a fixed amount at this stage.

6.5 We are seeking to establish a broad methodology for distribution of capital grant, one that will allow each authority to undertake some improvement of their estate. On this basis Ministers have agreed to distribute the grant on the basis of option C.
7.0 List of organisations that responded to capital grant consultation

Avon Fire and Rescue Authority
Bedfordshire Fire and Rescue Authority
Buckinghamshire Fire and Rescue Authority
Cambridgeshire Fire and Rescue Authority
Cleveland Fire and Rescue Authority
Cornwall Fire and Rescue Authority*
Cumbria Fire and Rescue Authority
Derbyshire Fire and Rescue Authority
Devon And Somerset Fire and Rescue Authority
Dorset Fire and Rescue Authority
County Durham and Darlington Fire and Rescue Authority
East Sussex Fire and Rescue Authority
Gloucestershire Fire and Rescue Authority
Greater Manchester Fire and Rescue Authority
Hampshire Fire and Rescue Authority
Hereford & Worcester Fire and Rescue Authority
Hertfordshire Fire and Rescue Authority
Isle Of Wight Fire and Rescue Authority
Isles of Scilly Fire and Rescue Authority
Kent and Medway Fire and Rescue Authority
Lancashire Fire and Rescue Authority
Leicestershire Fire and Rescue Authority
Lincolnshire Fire and Rescue Authority
LFEPA
Merseyside Fire and Rescue Authority
Norfolk Fire and Rescue Authority
Northamptonshire Fire and Rescue Authority
Northumberland Fire and Rescue Authority*
Nottinghamshire Fire and Rescue Authority
Oxfordshire Fire and Rescue Authority
Shropshire and Wrekin Fire and Rescue Authority
South Yorkshire Fire and Rescue Authority*
Staffordshire Fire and Rescue Authority
Suffolk Fire and Rescue Authority
Surrey Fire and Rescue Authority
Tyne & Wear Fire and Rescue Authority*
Warwickshire Fire and Rescue Authority*
West Midlands Fire and Rescue Authority
West Sussex Fire and Rescue Authority
West Yorkshire Fire and Rescue Authority
Wiltshire Fire and Rescue Authority

*as part of group response