



Distribution of Fire Capital Grant **Consultation**



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Any enquiries regarding this document/publication should be sent to us at:

Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 030 3444 0000

September 2011

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Scope of the consultation

Topic of this consultation:	To seek views on the Government's proposal to establish a bidding process targeted to efficiencies as a distribution method for Capital Grant Funding for 2012-2015. The consultation invites views from fire and rescue authorities on a proposed method for the distribution of Capital Grant Funding.
Geographical scope:	This consultation is applicable to England only.
Impact Assessment:	There is no impact assessment. This consultation covers the distribution of funds from Secretary of State to fire and rescue authorities, it does not impact on business and so does not need an impact assessment.

Basic information

To:	This consultation is aimed primarily at the members of the fire and rescue authorities, fire and rescue services and their representative bodies (eg Local Government Group, Chief Fire Officers Association, Fire Brigades Union).
Body/bodies responsible for the consultation:	This consultation is being facilitated by the Fire and Resilience Directorate within the Department for Communities and Local Government.
Opening date:	12 September 2011
Closing date:	21 October 2011
Enquiries about the subject being consulted or the policy being considered:	For enquiries, please contact the following: Gayle.springett@communities.gsi.gov.uk 0303 444 4129
How to respond to this consultation:	In writing to: Consultation on the Distribution of Fire Capital Grant Gayle Springett Department for Communities and Local Government Zone 3/E2, Eland House Bressenden Place London SW1E 5DU Or by email to gayle.springett@communities.gsi.gov.uk

After the consultation:	A summary of responses to the consultation will be published on the Department's website within two weeks of the end of the consultation period.
Compliance with the Code of Practice on Consultation:	<p>This consultation document and consultation process have been planned to adhere to the Code of Practice on Consultation issued by the Department for Business, Innovation and Skills and is in line with the seven consultation criteria, which are:</p> <ol style="list-style-type: none"> 1. Formal consultation should take place at a stage when there is scope to influence the policy outcome. 2. Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible. However we are aware that time taken in consultation means less time for Fire and Rescue Authorities to prepare bids; as such we are proposing a six week period for consultation, as suggested in "The Framework for Partnership" . 3. Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals. 4. Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach. 5. Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained. 6. Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation. 7. Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.
How to complain or make comment about the process of this consultation and/or whether it adhered to the Code of Practice on Consultation	<p>Should you want to raise any issues in this respect, you should contact:</p> <p>In writing to: Consultation Coordinator Deregulation in Strategic Analysis Team Department for Communities and Local Government Zones 4/H3 Eland House Bressenden Place London SW1E 5DU</p> <p>Or by email to: consultationcoordinator@communities.gsi.gov.uk</p>

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Executive summary

Capital Grant funding is currently distributed by allocation of a fixed sum to every authority with the balance distributed according to population.

We are seeking views on the proposal that future funding is distributed based on a combination of:

- an efficiency fund, administered via a bidding process, and
- a pro-rata distribution using the current distribution method.

This would enable funding, currently £70m per year, to be used to target efficiency savings while demonstrating value for money.

This consultation document asks for feedback on bid criteria, the proportion of funding available for distribution versus the proportion of funding available to be bid against, the number of bidding rounds and sharing best practice.

The consultation ends on **21 October 2011**.

Section 1

Introduction

As part of the Spending Review 2010 the Department for Communities and Local Government secured capital grant funding for fire and rescue authorities in England of £70m per annum.

£70m was distributed on a formula basis to fire and rescue authorities in 2011 and this consultation paper proposes a new method for distribution of the remaining £210m grant between all English fire and rescue authorities.

Background

Capital grant, was a new unringfenced funding stream in the Comprehensive Spending Review 2007 (from 2009-10) for fire and rescue authorities and was distributed in part according to population levels. This funding was introduced following the end of Private Finance Initiative funding. This is the only capital funding stream that is continuing. It increased from £45m per annum to £70m per annum in 2011-12.

The funding for 2011/12 was distributed by allocation of a fixed sum to every authority with the balance distributed according to population. For example, £500k baseline for every fire and rescue authority and the rest divided by population, bar the Isles of Scilly which received £75k. (See Annex A).

Capital Grant funding is intended to be used to drive efficiency savings in the fire and rescue service at a time when there are significant cuts in resource funding. The funding is designed to help fire and rescue authorities to make the efficiency changes they need in order to live within their spending review allocation from 2013 onwards, when the largest portion of the reductions will apply. Capital funding could be targeted to the seven key changes the Fire Minister has identified.

Seven key efficiency savings:

- flexible staffing arrangements
- improved sickness management
- pay restraint and recruitment freezes
- shared services/back office functions
- improved procurement

- sharing chief fire officers and other senior staff; and
- voluntary amalgamations.

One of the Department's key priorities is to maintain the reduction in the number of fire related deaths; it is vital that reduced central government funding does not impact on this reduction. Fire and rescue authorities need to continue to deliver a frontline service with significantly reduced resource funding across the spending review period, and through their operational responses to fires and special services to continue to save the estimated 2,300 lives and £3.8bn worth of property damage per annum (figures taken from DCLG's Fire Service Emergency Cover toolkit national model).

Proposed option

We are seeking views on the proposal that future funding is distributed based on a combination of:

- an efficiency fund, administered via a bidding process, and
- a pro-rata distribution using current distribution method.

Why?

We want to introduce a two-track approach where we distribute a portion of the grant to provide some continuity to the sector and put in place a competitive bidding process to drive efficiencies. We think that this approach will ensure the funding is targeted to areas that deliver the greatest savings whilst also providing a set minimum grant for all – in recognition that all fire and rescue authorities will have ongoing capital costs.

QUESTION 1

Do you have a view about the proportion of funding that ought to be available for distribution versus the proportion of funding that ought to be available to bid against?

Possible types of activity

The Government has committed that £70m per annum, will be made available to fire and rescue authorities as capital grant funding to support activity that makes efficiency savings. However we would not expect to see bids for improvements to control services in the light of the separate funding stream which is available for this purpose.

Funding can be used in a variety of ways including to invest in schemes that reduce fire and rescue authorities overheads.

Examples of what this funding could support are:

- station refurbishment – reduced running costs
- improved allocation of special appliances
- more efficient estate management arrangements
- combined aerial/pumping appliances
- workforce modernisation schemes
- relocation of head quarters to reduce overheads
- business processes
- private communications networks – to reduce broadband costs
- home fire safety equipment
- small appliances; fire bikes.

The examples above are intended to be illustrative only, and are not an indicator of where government thinks individual fire and rescue services need to focus their activity. Such decision can only be taken locally and based on fire and rescue authorities' own integrated risk management plans, which reflects local need and set out plans to tackle effectively both existing and potential risks to communities. After identifying local fire and other risks, fire and rescue authorities work out how best to deploy their finite resources to mitigate those risks in the three broad areas of prevention. This process in itself works well in determining the most effective and efficient way of doing things, and means that fire and rescue authorities should already be forward planning and have an idea of where efficiencies can be made, enabling the whole process of bidding to be straightforward.

Bids process

We want to make sure that the bidding process is transparent, robust and fair; we also want to ensure that the process minimises unnecessary burdens on bidding authorities. As such we propose that the bidding process starts with fire and rescue authorities providing bids by completing a short generic application form. Fire and rescue authorities would have around 6 weeks to complete the form.

The application form would include a spreadsheet for fire and rescue authorities to enter the costs for each element of their bid, the amount they are contributing and the amount they are bidding for, along with a breakdown of the savings for each element of the bid. Fire and rescue authorities will also need to include a narrative explaining their rationale for their cost savings assumptions. As part of the process the office of the Chief Fire and Rescue Adviser will undertake a technical assessment of the application to quality check information and deliverability of the bids.

The application would request information on the detail of the project. As part of the assessment process we would review capital asset management plans to assess the strategic fit of the bid and the fire and rescue authorities wider asset strategy. To reduce the burden on them we would accept web links to asset management plans where available or if these are not available then a paper copy would be sufficient. We would intend to request information on three financial positions – do nothing, the bid, reduced bid option. This is intended to aid prioritisation and give the assessment scope in case of oversubscription, in that it would enable the provision of reduced funding to keep the total amount paid out within the amount of money available.

We will use existing integrated risk management plans to provide background information, in particular to seek assurance on continued quality of frontline services, and will ask for a web link to, or hard copy of these documents.

A draft application form and spreadsheet will be published later this week. We would welcome your feedback on this.

Bidding rounds

We are interested in your views on the number of bidding rounds we should run for the grant. Our preference is for one bidding round. In this way we would be able to provide certainty on capital for fire and rescues authorities for the next three years. One bidding round would also require less resource and fewer costs for fire and rescue authorities. However, if we are unable to allocate all of the funding in one go we would reserve the option for a second bidding round to manage significant under allocations.

However, we can see that there may be attractions to going for one, two or even three bidding rounds and we would like your views on this. Multiple bidding rounds would allow fire and rescue authorities who may not be in a position to bid year one (or two) to put in bids in future years.

Regardless of the number of bidding rounds we are proposing that the deadline for the first round of bids should be December 2011, with a view to decisions on successful bids being announced by end of February 2012.

QUESTION 2

What are your views on our proposal of one bidding round?

QUESTION 3

If there is one round, are you content that we should reserve the option for a second round if there are significant under allocations?

QUESTION 4

As an alternative, to one bidding round, do you think a bidding round for each year would be better?

And if so, why?

Assessment criteria

The main objective of our proposal is to deliver capital funding to the fire sector in a way that delivers resource savings to help fire and rescue authorities in the final two years of the Spending Review period when their resource budgets are most reduced. We have developed a spreadsheet for bidders to enter data on and this will allow us to calculate a benefit cost ratio. We think that this is the simplest means of assessing bids on a numerical basis, and one that places the fewest burdens on bidders. The bids which deliver the greatest savings in proportion to their costs over a 10 year period will be rated the highest.

The proposed equation to assess the benefit cost ratio of the bids is below. It uses the Net Present Value of the proposal per pound you are bidding for to compare the bids. The Net Present Value is the difference between the discounted benefits and the discounted costs. The former are the expected efficiency savings and the latter are the cost to the Department for Communities and Local Government plus further costs to your fire and rescue authority if you are co-funding.

$$\text{Net Present Value/£ Government bid} = \frac{\text{Present Value (Cost Saving)} - \text{Present Value (Cost to Fire and Rescue Service)} - \text{Present Value (Amount of bid)}}{\text{Present Value (Amount of bid)}}$$

The equation does not take into account changes in services, therefore it does not include social or environmental impacts. If bids include changes in services this would not be used to disadvantage bids that showed improved service.

QUESTION 5

Do you think that these are the right criteria for assessing bids for Capital Grant Funding?

If not, what would your proposals be?

Approval process

Once applications have been received they will be checked to ensure they have been filled out correctly and all information requested is included.

The Office of the Chief Fire and Rescue Adviser will evaluate the application through a technical and deliverability assessment, to ensure bid proposals are reasonable and realistic. Part of this assessment will include a review of any capital asset management data provided by web link.

Members of the Department for Communities and Local Government finance team will check the figures included in applications.

The applications will then be forwarded to an Advisory Panel, established to provide assurance that funding is being put to best use. This panel will be made up of senior qualified people from within government. The Chief Fire and Rescue Adviser, departmental non executive Directors and members of the Finance Policy and Accounts Committee could all be potential members.

Those bids that are more complex, of high value, or cross service/sector bids may additionally be subject to a presentation to the Assessment Panel and further questioning, in order for them to provide further information in support of the project.

The panel will assess bids using the benefit cost analysis above, combined with strategic fit of the bid with the fire and rescue authorities asset plans and their integrated risk management plan. The panel will then make recommendations to the Minister with regard to which makes the best case for efficiency savings.

The final decision on bids regarding support and prioritisation will be made by the Minister.

Accountability and monitoring

Government is accountable for the funds it spends and the public quite rightly want us to ensure value for money and strong fiscal probity. Fire and rescue authorities are equally responsible for demonstrating to their communities how they spend their budgets. The

capital grant for fire is of a significant value and as such, while the funding is un-ringfenced we think there is a real benefit, both to fire and rescue authorities and government, in collecting data as this can be used to assist the sector in making efficiencies by disseminating lessons learned. Such efficiencies are also a useful tool for the department to inform any future Spending Review funding bids and to inform the way future funding is allocated.

We would therefore suggest that fire and rescue authorities include in their bids information on how they would demonstrate the extent to which they have achieved efficiency gains detailed in their bids, and, as part of the transparency agenda, how they will provide this information to their communities. We propose to include light touch monitoring by the department utilising publicly available information (on business plan outputs and impact indicators indicated in the bids), followed by a research element, designed to capture and disseminate good practice.

QUESTION 6

Do you agree with the approach on accountability and monitoring?

QUESTION 7

How do you think best practice could be shared with the rest of the fire and rescue service?

Alignment with the Future Controls programme

The Department's strategy for supporting an efficient and effective fire and rescue service infrastructure is delivered through two main funding routes. The work stream to improve its operational stock is via fire capital grant and its command and control structure is via control room funding, hence they are separate.

The Fire Minister has announced that £81m will be made available to England's fire and rescue authorities to help them develop their own solutions for improving the resilience and efficiency of local control services and support greater collaboration. The money has been spread across all fire and rescue authorities so that each may bid for up to £1.8m. More may be available where plans offer exceptional benefits but within the £81m total. A further £1.8m will support cross cutting initiatives that support improvements to national interoperability, such as the development of common standards.

We have considered whether this model would be appropriate for distributing the capital fund. However outside of the existing pro-rata method, we do not have data on which to base the distribution of the fund and are concerned that a flat funding distribution method

for capital needs may not enable those fire and rescue authorities impacted the most by the spending review settlement to deliver necessary efficiencies. For example, a straight forward distribution would rule out larger projects for most fire and rescue authorities; however we will replicate a similar ethos, for example, enabling local solutions, having a streamlined bidding process and minimal reporting of outcomes.

Timetable	
Consultation on distribution of Capital Grant Funding	September – October 2011
Announce capital innovation fund including bidding guidance – open bidding process	October 2011
Close bidding process	November 2011
Bid assessment	December – January 2012
Announce funding allocations	February 2012
Review policy and evidence for next Spending Review	Winter 2013

Section 2

Summary of consultation questions

The following questions could be used to structure your response; however the Department of Communities and Local Government would welcome any comments or suggestions on the distribution of fire and rescue service capital grant

QUESTION 1

Do you have a view about the proportion of funding that ought to be available for distribution versus the proportion of funding that ought to be available to bid against?

QUESTION 2

What are your views on our proposal of one bidding round?

QUESTION 3

If there is one round, are you content that we should reserve the option for a second round if there are significant under allocations?

QUESTION 4

As an alternative, do you think a bidding round for each year would be better?

And if so, why?

QUESTION 5

Do you think that these are the right criteria for assessing bids for Capital Grant Funding?

If not, what would your proposals be?

QUESTION 6

Do you agree with the approach on accountability and monitoring?

QUESTION 7

How do you think best practice could be shared with the rest of the fire and rescue service?

Annex A

Capital Grant Allocations for 2011/12

CAPITAL GRANT ALLOCATIONS: FIRE & RESCUE AUTHORITY	2011/12 £
Avon Fire Authority	1,490,509
Bedfordshire Fire Authority	1,053,975
Berkshire Fire Authority	1,281,716
Buckinghamshire Fire Authority	1,169,402
Cambridgeshire Fire Authority	1,212,332
Cheshire Fire Authority	1,420,576
Cleveland Fire Authority	1,012,601
Cornwall County Council	986,147
Cumbria County Council	953,286
Derbyshire Fire Authority	1,419,386
Devon & Somerset Fire Authority	2,020,960
Dorset Fire Authority	1,150,179
Durham Fire Authority	1,055,531
East Sussex Fire Authority	1,203,270
Essex Fire Authority	2,074,691
Greater London Authority	7,596,958
Gloucestershire County Council	1,039,329
Greater Manchester Fire Authority	2,880,848
Hampshire Fire Authority	2,083,204
Hereford and Worcester Fire Authority	1,173,429
Hertfordshire County Council	1,502,684
Humberside Fire Authority	1,339,841
Isle of Wight Council	628,333
Isles of Scilly Fire and Rescue Service	75,000
Kent Fire Authority	2,024,987

Lancashire Fire Authority	1,823,334
Leicestershire Fire Authority	1,404,283
Lincolnshire County Council	1,138,829
Merseyside Fire Authority	1,736,283
Norfolk County Council	1,280,984
North Yorkshire Fire Authority	1,229,175
Northamptonshire County Council	1,126,014
Northumberland County Council	784,768
Nottinghamshire Fire Authority	1,486,207
Oxfordshire County Council	1,086,104
Shropshire Fire Authority	915,664
South Yorkshire Fire Authority	1,705,802
Staffordshire Fire Authority	1,477,237
Suffolk County Council	1,153,658
Surrey County Council	1,518,977
Tyne and Wear Fire Authority	1,512,753
Warwickshire County Council	989,808
West Midlands Fire Authority	2,915,357
West Sussex County Council	1,225,788
West Yorkshire Fire Authority	2,538,320
Wiltshire Fire Authority	1,099,468

ANNEX B

Code of practice on consultation, freedom of information and data protection

Code of practice on consultation

The Code of Practice on Consultation issued by the Better Regulation Executive (BRE) in the Department for Business, Innovation and Skills (BIS). The Code sets out seven consultation criteria, to which formal public consultation must adhere:

1. Formal consultation should take place at a stage when there is scope to influence the policy outcome;
2. Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible;
3. Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals;
4. Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach;
5. Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained;
6. Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation;
7. Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

Where this consultation paper does not adhere to the Code, it will be explained in the Consultation Profile.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

If this is a formal, written, public consultation, are you satisfied that this consultation has followed these criteria? If not or you have any other observations about how we can improve the process please contact:

DCLG
Consultation Co-ordinator
Zone 4/H3
Eland House
London SW1E 5 DU

or by e-mail to: consultationcoordinator@communities.gsi.gov.uk

Freedom of information and data protection applicable to consultation

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

The Department for Communities and Local Government will process your personal data in accordance with DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Individual responses will not be acknowledged unless specifically requested.

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