

22 July 2009

Mr Iain Bathgate
Chief Fire Officer
Tyne and Wear Fire & Rescue Service
P.O. Box 1196
Nissan Way
Barmston Mere
Sunderland
SR5 9BL

Our Ref:
Your Ref: IB/LT and IB/BH

Dear Mr Bathgate,

Transfer of Ownership of New Dimension Assets

Thank you for your letters dated 24 April and 30 June 2009, responding to the consultation on transfer of ownership of New Dimension assets. We welcome that Tyne and Wear supports in principle the transfer of assets to the authority. We have now considered all the responses to the consultation, and indeed, the large majority of FRSs have likewise shown support in principle. However, in your letter of 30 June, you have raised some questions over long term funding.

The Department set out the new burdens funding for New Dimension for the full CSR period in Circular 36/2008 last summer. On future commitment to funding beyond the CSR period, you will be aware that the Government cannot commit future parliaments. However, the Department remains fully committed to providing new burdens funding for the net additional costs to fire authorities arising from New Dimension. Currently, the funding is provided through annual s31 grants, as set out in the Circular, and we will continue to pay s31 grants during this CSR period. In line with the Government's and the Local Government Association's general policy, in the future we would wish to provide funding on a more flexible basis.

A number of authorities responding to the consultation expressed concern over any move to Revenue Support Grant (RSG, block grant), relating to distribution, the situation of 'floor authorities', and transparency. Similar concerns have been overcome for the many special grants which have transitioned to general grant in the past. Any transfer into RSG would be looked at together with the FRAs themselves, through the normal Formula Review process, and with exemplifications of what a transfer would mean to each individual FRA. An alternative option may be to transfer the grants into Area Based Grant, a single s31 grant paid to the FRAs for a number of different purposes. In due course, when we consider options for the future funding mechanism, we will have regard to authorities' concerns that we are still in a

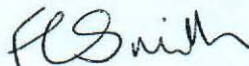
transition phase, that the maintenance contract has been going for only a short while, and their wish to build up a pattern of spend over a period of time.

A number of FRSs have also requested the contractual documentation surrounding the maintenance contract for New Dimension assets. You'll be aware that in signing up to the transfer of ownership agreement, FRAs will also be obliged to sign up to the maintenance contract (the Prime Contract). The contract itself is between VTCS and Firebuy (the contract manager) and the services provided by this contract are accessed through the Terms of Access. CLG, as the current owner of the New Dimension assets have initially signed the Terms of Access to ensure that the vehicles and equipment are being maintained. However, upon transfer of the assets it is a condition that FRSs will use the maintenance contract and hence, each FRA will need to individually enter into the Terms of Access themselves. A copy of the Terms of Access is enclosed with this letter.

Please be aware that the Prime Contract itself is commercial in confidence and therefore its circulation requires to be closely safeguarded. For those FRA legal advisors who wish to see a copy of the Prime Contract, this can be obtained via Angela Hooton, Firebuy Contract Manager (email: angela.hooton@firebuy.gov.uk) who can supply a PDF copy. Copies will only be available from **1 August 2009** onwards and in obtaining a copy you may be asked to enter into a confidentiality agreement. Please note that copies of the contract will only be sent via secure fire authority email accounts.

I trust that the above points answer your concerns. In terms of going forward, we would hope to be in the position whereby FRAs have formally signed up to the Transfer of Ownership Agreement by October, with the actual transfer to take place slightly later. In regard to next steps, we will be writing to you via fire service circular shortly providing a final draft of the Transfer Agreement, and I do hope that your authority will feel able to sign.

Yours sincerely,



Fay Smith
New Dimension Policy Advisor