

LANCASHIRE COMBINED FIRE AUTHORITY

Meeting to be held on 14th January 2013

CAPITAL BUDGET 2013/14-2017/18

Contact for further information:

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Executive Summary

The report sets out the draft capital programme for 2013/14-2017/18.

The draft programme allows for items included within various asset management plans, some of which still need to be finalised, such as the potential relocation of Service Headquarters (SHQ).

At the time of writing the report, the capital funding for 2013/14-2014/15 had been announced, however there is still a great deal of uncertainty surrounding the level of funding available to the Authority after the current Spending Review ends, 2015/16-2017/18 and in particular the level of capital grant that will be available.

A final capital programme will be presented to the Authority in February, for formal approval.

Recommendation

The Combined Fire Authority is requested to: -

- (i) Give initial consideration to the draft capital budget as presented;
- (ii) Authorise consultation with representatives of non-domestic ratepayers and Trade Unions on the budget proposals;
- (iii) Give further consideration to the capital budget at their next meeting on 11 February 2013, in light of the consultation process.

Capital Budget Strategy

The Authority's capital strategy is designed to ensure that the Authority's capital investment:

- Assists in delivering the corporate objectives;
- Supports priorities identified in asset management plans;
- Ensures statutory requirements are met, i.e. Health and Safety issues;
- Supports the Medium Term Financial Strategy by ensuring all capital investment decisions consider the future impact on revenue budgets;
- Represents value for money.

Capital Requirements

Capital expenditure is expenditure on major assets such as new buildings, significant building modifications and major pieces of equipment/vehicles.

The Service has developed asset management plans which assist in identifying the long-term capital requirements. These plans, together with the operational equipment register have been used to assist in identifying total requirements and the relevant priorities.

A summary of all capital requirements is set out in the table below.

	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
	£m	£m	£m	£m	£m	£m
Vehicles	1.136	2.086	1.771	1.833	1.508	8.333
Buildings	4.300	8.750	1.750	-	-	14.800
IT Equipment	0.260	0.300	0.110	1.200	1.015	2.885
Total	5.696	11.136	3.631	3.033	2.523	26.018

Vehicles

The Fleet Asset Management plan has been used as a basis to identify the following vehicle replacement programme, which is based on current approved lives:-

Type of Vehicle	No of Vehicles				
	2013/14	2014/15	2015/16	2016/17	2017/18
Pumping Appliance	5	5	5	5	6
Aerial Ladder Platform (ALP)	-	1	1	1	-
Driver Training	-	2	-	-	-
Pod	-	1	-	-	1
Operational Support Vehicles	11	12	10	13	14
	16	21	16	19	21

The replacement programme has been adjusted to remove peaks in the number of vehicle replacements in any one year. This 'smoothing' inevitably results in some vehicles being replaced marginally ahead of or behind schedule, but provides a better basis for longer term replacement strategies. As a result of this 5 support vehicles, which are due replacement in the period of the programme will be delayed by 1 year. Had this not been the case the replacement programme would cost a further £0.1m.

In addition, Fleet Services continue to review future requirements for the replacement of operational support vehicles; hence there may be some scope to modify requirements as these reviews are completed.

Operational Equipment

No new items of operational equipment have been identified as required in the term of the programme.

Buildings

The budget allows for the following projects:-

Conversion/development of facilities at Nelson and Morecambe Fire Stations in line with the anticipated implementation of Day Crewing Plus in 2013/14, at an estimated cost of £1.0m. In line with successful capital grant bids referred to later in the report an additional sum of £1.0m has been set aside in 2014/15 for two further Day Crewing Plus stations; however this is dependent upon the outcome of the next Emergency Cover Review.

The provision of a new USAR (Urban Search and Rescue) facility at Service Training Centre (STC), together with access road changes to meet planning restrictions, at an estimated cost of £1.0m.

The business case for the provision of a new HQ facility at STC was approved by the Authority in September. Further work to develop the proposals and report the outcome of this and the procurement process to members next year. As such an allowance of £10m, in line with the business case, has been including in the draft budget. This will be subject to amendment pending the outcome of the procurement exercise.

The latest stock condition survey was completed last year and the Authority’s Property Asset Management plan is currently being updated. The level of backlog maintenance has reduced significantly, reflecting the investments the Authority has made in its building stock and the latest draft Asset Management Plan has only identified 3 stations which are classed as in poor condition:-

- Carnforth
- Barnoldswick
- Preston

Refurbishment schemes for Carnforth and Barnoldswick have been identified in the sum of £200k and £100k respectively. Furthermore we are continuing to explore opportunities to share these facilities with the Police, and have agreed a one off capital contribution in respect of the Carnforth refurbishment to cover the cost of converting the spare appliance bay into suitable accommodation. (In addition this will generate an annual rental income.)

Pending the outcome of the emergency cover review we have not identified any further station based capital schemes, although a sum of £1.5m has been included in the draft programme to provide some scope to address any issues which are identified.

	2013/14	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m	£m
Nelson and Morecambe Fire Station DCP accommodation	1.000	-	-	-	-
2 x DCP accommodation	-	1.000	-	-	-
USAR facility/access road	1.000	-	-	-	-
SHQ Relocation	2.000	7.000	1.000	-	-
Carnforth Refurbishment	0.200	-	-	-	-
Barnoldswick Refurbishment	0.100	-	-	-	-
Unidentified	-	0.750	0.750	-	-
	4.300	8.750	1.750	-	-

ICT

The sums identified for the replacement of various ICT systems are in line with the software replacement lifecycle schedule incorporated into the ICT Asset Management Plan.

Next year's programme allows for:

The potential interface costs associated with our move to Regional Control. Actual costs are still being finalised, but it is likely we will incur some costs to ensure we can continue to access mobilising data for use within other systems.

The introduction of a mobile data working solution to input data onto the Community Fire Risk Management Information System (CFRMIS), which should result in administration staff savings as information gathered during Home Fire Safety Checks is input onto the system immediately, rather than paper copies being completed and passed back to administration staff for input.

All other replacements identified will be subject to review prior to replacement, with both the requirement for the potential upgrade/replacement and the cost of such will be revisited prior to any expenditure being incurred.

Of particular note are the anticipated replacements for assets which were provided by CLG for the North West Fire Control project. These replacements are subject to less certainty regarding the timing of the potential need, and the associated replacement costs, and therefore will be revised in forthcoming budget revisions as the situation becomes clearer.

	2013/14	2014/15	2015/16	2016/17	2017/18
Replace Existing Systems	£m	£m	£m	£m	£m
Asset Management system		0.100			
Geographic Information System (GIS) Risk Information		0.050			
Performance Management		0.100			
Incident Recording System (IRS)		0.050			
Clocking/door entry system			0.050		
Training database			0.060		
Gazetteer/location hub				0.040	
Incident Command system				0.060	
Microsoft Office upgrade				0.100	
CFRMIS replacement system					0.045
Storage Area Network					0.120
	-	0.300	0.110	0.200	0.165
New Systems					
Interface costs associated with the implementation of the NW Fire Control Project	0.200				
Community Fire Risk Management Information System (CFRMIS) Mobile Data Working	0.060				
	0.260	-	-	-	-
North West Fire Control assets					
Wide Area Radio network (Airwave) replacement (estimated)				1.000	
Vehicle Mounted Data Systems (VMDS)					0.450
Station end mobilising system					0.400
	-	-	-	1.000	0.850
	0.260	0.300	0.110	1.200	1.015

Capital Funding

Capital expenditure can be funded from the following sources:

Prudential Borrowing

The Prudential Code gives the Authority increased flexibility over its level of capital investment and much greater freedom to borrow, should this be necessary, to finance planned expenditure. In determining the level of borrowing, the Authority must prepare and take account of a number of prudential indicators aimed at demonstrating that the level and method of financing capital expenditure is affordable, prudent and sustainable. However, the Government has maintained reserve powers to limit any such borrowing if it believes the proposals to be unaffordable or in terms of national public spending constraint.

Historically this has resulted in Central Government continuing to support the revenue costs of borrowing, on the basis of a specified amount of capital expenditure, known as Supported Capital Expenditure (Revenue). With any borrowing in excess of this limit, i.e. unsupported borrowing, incurring additional revenue charges for which no additional funding will be provided will impact on the Authority's revenue budget/council tax.

The Government announced in the Spending Review 2010 that no further Supported Capital Expenditure (Revenue) would be allocated to the Fire Service, meaning that all borrowing would be 'unsupported' with the full costs having to be met by council tax payers. The funding of £1.239m shown in the 5 year programme represents outstanding borrowing from previous years which has not yet been utilised but which may still be taken. (Note, revenue support for this is already built into revenue grant settlements and the costs associated with this are already built into the draft revenue budget.)

Capital Grant

Capital grants are received from other bodies, typically the Government, in order to facilitate the purchase/replacement of capital items.

The Government allocated an annual sum of £70m of capital grant to Fire Authorities throughout the Spending Review (2011/12 to 2014/15). In 2011/12 and 2012/13 this was allocated to each Authority based on a fixed amount per Authority, plus a top up based on population to the Fire Service, resulting in the Authority receiving £1.8m of funding each year. For 2013/14 and 2014/15 the Government amended this to a process a fixed proportion of the total grant is allocated based on the existing criteria, with the balance being allocated based on a bidding process.

As part of this process the Authority submitted 3 bids:

SHQ	£4.0m
Day Crewing Plus (DCP)	£1.6m
Mobile data Working	£0.1m

The final allocation was announced as part of the Local Government Finance Settlement with £38m of the £140m capital grant available being allocated based on funding bids submitted, with successful bids having a cost benefit ratio of one or above, and priority being given to bids showing the best return on investment. Lancashire was one of only 15 Authorities that submitted successful bids, receiving the seventh highest allocation of £1.7m which related to the bids in respect of DCP accommodation and Mobile Data Working. The bid for SHQ was not successful as it did not meet the required cost benefit ratio.

The remainder of the funding was allocated based on a population basis as in previous years, with Lancashire receiving a further £2.5m of grant, bringing the total over the next two years to £4.2m.

Whilst it is possible there may be a further capital grant allocated to the fire Sector in 2015/16 onwards, no allowance has been made for this as it is dependent upon the outcome of the next Spending Review.

Capital Receipts

Capital receipts are generated from the sale of surplus land and buildings, with any monies generated being utilised to fund additional capital expenditure either in-year or carried forward to fund the programme in future years.

The Authority currently holds £1.2m of capital receipts. In addition to this, we are anticipating capital receipts of £2.0m from the sale of surplus sites at Chorley and at Fulwood (subject to the completion of the PFI scheme and the relocation of SHQ).

Note at the end of the five year programme capital receipts will have been fully utilised.

Capital Reserves

Capital Reserves have been created from under spends on the revenue budget in order to provide additional funding to support the capital programme in future years. Following completion of the 2012/13 capital programme, the Authority expects to hold £6.8m of capital reserves. Over the life of the programme this will be fully utilised to part fund the relocation of SHQ.

Earmarked Reserves

Earmarked reserves of £1.5m will be utilised in the programme, predominantly to fund the USAR garaging provision and STC access road changes.

Contributions from Revenue Resources

Any revenue surpluses may be transferred to a Capital Reserve in order to fund additional capital expenditure either in-year or carried forward to fund the programme in future years.

The current revenue budget includes an allowance of £1.5m per annum as a contribution towards the capital programme. This contribution is subject to affordability and in particular the outcome of future funding settlements and will be reviewed each year.

Total Capital Funding

The following table details available capital funding over the five year period:

	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
	£m	£m	£m	£m	£m	£m
Supported Capital Expenditure	0.569	0.670	-	-	-	1.239
Capital Grant	2.127	2.127	-	-	-	4.254
Capital Receipts	-	0.014	1.573	1.533	0.047	3.167
Capital Reserves	-	6.825				6.825
Earmarked Reserves	1.500	-	-	-	-	1.500
Revenue Contributions	1.500	1.500	1.500	1.500	1.500	7.500
	5.696	11.136	3.073	3.033	1.547	24.485

Summary Programme

Therefore the summary of the programme, in terms of requirements and available funding, is set out below:

	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Requirements	5.696	11.136	3.631	3.033	2.523	26.018
Capital Funding	5.696	11.136	3.073	3.033	1.547	24.485
Surplus/(Shortfall)	-	-	(0.558)	-	(0.976)	(1.533)

Despite utilising all capital receipts and reserves and receiving £4.2m of capital grant the capital programme as drafted still exceeds available resources. In order to balance this we would either need to reduce the level of the capital programme, or take out unsupported borrowing to fund the programme as outlined above. Dependent upon the length of time any loans are taken out for this would increase the capital financing costs included in the draft revenue budget by up to £250k.

However the shortfall does not occur until 2015/16, which is the first year of the next Spending Review, and which coincides with any future announcement relating to further capital grant allocations.

Prudential Indicators

The Authority is required to calculate various prudential indicators to demonstrate that the proposed capital programme is affordable, prudent and sustainable. These have not yet been calculated, but will be included in the Authority report in February.

Financial Implications

The financial implications are set out in the report.

Human Resources Implications

None

Equality and Diversity Implications

The capital programme in respect of replacement/refurbishment of existing property will include some element of adaptations to ensure compliance with the Disability Discrimination Act.

Environmental Impact

The environmental impact of decisions relating to the capital programme will be considered as part of the project planning process, and where possible we will look to minimise the environmental impact of this where it is considered practical and cost effective to do so.

Business Risk Implications

The capital programme is designed to ensure that the Service has the appropriate assets in order to deliver its services; as such it forms a key element in controlling the risk to which the Authority is exposed.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact
Spending Review 2010	October 2010	Keith Mattinson Director of Corporate Services
Local Government Finance Settlement	December 2012	Keith Mattinson Director of Corporate Services
Capital grant settlement	December 2012	Keith Mattinson Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		