

LANCASHIRE COMBINED FIRE AUTHORITY

Meeting to be held on 15 December 2014

CAPITAL BUDGET 2015/16-2019/20

Contact for further information:

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Executive Summary

The report sets out the draft capital programme for 2015/16-2019/20.

The draft programme allows for items included within various asset management plans, and identifies the level and source of capital funding available in order to meet these requirements.

Given the programme is broadly balanced, showing a shortfall of £0.1m in 2019/20, the draft programme as presented is considered affordable, sustainable and prudent.

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

Recommendation

The 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 16 February 2015, 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.

	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	£m	£m	£m	£m	£m	£m
Vehicles	2.243	1.598	1.773	1.808	2.815	10.237
Operational Equipment	-	-	-	-	1.250	2.250
Buildings	4.000	-	3.250	-	-	7.000
IT Equipment	0.190	1.160	1.000	0.510	0.088	2.948
Total	6.433	2.758	6.023	2.318	4.153	21.685

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:-

	No of Vehicles				
Type of Vehicle	2015/16	2016/17	2017/18	2018/19	2019/20
Pumping Appliance	5	6	6	6	6
Mobile Fire Stations (MFS)	-	-	1	1	-
Aerial Ladder Platform (ALP)	2	-	-	-	2
Driver Training	-	2	-	-	-
Pod	-	1	1	-	1
Operational Support Vehicles	11	10	12	14	13
	18	19	20	21	22

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 4 pumping appliances 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 £0.8m.

Driver Training vehicles are scheduled for replacement on a like for like basis, however it is possible that we would replace with a different sort of vehicle, or look at the assigned asset life.

The MFS replacements reflect the replacement of 2 vehicles at the end of their current asset life, however requirements for these appliances will be reviewed prior to replacement commencing, with the potential to replace with a different sort of vehicle according to requirements.

In addition, Fleet Services continue to review future requirements for the replacement of all vehicles in the plan, hence there may be some scope to modify requirements as these reviews are completed, and future replacement programmes will be adjusted accordingly. It is anticipated that one of these reviews will look at current asset lives, which could potentially reduce future capital expenditure if assets are held for a longer period.

Operational Equipment

The budget allows for the replacement of the Breathing Apparatus (BA) and Telemetry equipment in 2019/20 at the end of their asset lives, at an estimated cost of £0.8m.

The budget also allows for the replacement of the current cutting and extrication equipment at the end of its useful life in 2019/20, at an estimated cost of £0.45m.

Buildings

The budget allows for the following projects:-

Conversion/development of DCP facilities at Skelmersdale Fire Station following the outcome of the current Emergency Cover Review (ECR), at an estimated cost of £0.6m.

Replacement of Lancaster Fire Station following the ECR, to introduce an RDS pump in order to maintain fire cover and also share premises with NWAS, at an estimated cost of £3.4m.

The current level of backlog maintenance identified in the most recent Stock Condition Survey had reduced significantly, reflecting the investments the Authority has made in its building stock. Following completion of works budgeted during 2014/15, the Authority will only have Preston fire station classed as in poor condition, hence £3.3m being included in 2017/18 for potential replacement, subject to Authority approval.

	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
1 x DCP accommodation identified by ECR	0.600	-	-	-	-
Replacement of Lancaster fire station to include RDS unit	3.400				
Preston fire station	-	-	3.250	-	-
	4.000	-	3.250	-	-

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.

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

	2015/16	2016/17	2017/18	2018/19	2019/20
Replace Existing Systems	£m	£m	£m	£m	£m
Community Fire Risk Management Information System (CFRMIS) replacement system	0.080				
Training database	0.060				
Incident Recording System (IRS)	0.050				
Performance Management		0.100			
Incident Command system		0.060			
Geographic Information System (GIS) Risk Information			0.100		

Finance system			0.250		
Vehicle specification crash recovery software			0.020		
Pooled PPE system				0.080	
Rota system (Retained Duty System)				0.050	
Wide Area Network (WAN)				0.380	
Rota system (Wholetime Duty System and officer cover)					0.050
Hydrant Management system					0.020
E-Learning training system					0.018
	0.190	0.160	0.370	0.510	0.088
North West Fire Control assets/systems					
Wide Area Radio network (Airwave) replacement (estimated)		1.000			
Vehicle Mounted Data Systems (VMDS)			0.230		
Station end mobilising system			0.400		
	-	-	0.630	-	-
Total ICT Programme	0.190	1.160	1.000	0.510	0.088

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.

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 a sum of £75m of capital grant to Fire Authorities for 2015/16, allocated based on a bidding process. As part of this process the Authority submitted 2 bids:

DCP x 1	£0.6m
Co-location of Lancaster Fire station with NWAS	£2.4m

The Authority was successful in its bids, receiving a total allocation of £3m for 2015/16. No allowance has been built in for future years pending the outcome of any future Spending Reviews.

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 £1.3m from the sale of surplus sites at Chorley (following the outcome of the ECR) and at Lancaster (subject to the relocation of Lancaster Fire Station).

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

Capital Reserves

Capital Reserves have been created from underspends on the revenue budget in order to provide additional funding to support the capital programme in future years. Following completion of the 2014/15 capital programme, the Authority expects to hold £8.1m of capital reserves. Over the life of the programme this will be fully utilised.

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 as a contribution towards the capital programme. It is proposed to increase this as a one off measure in 2015/16 by £0.5m, in order to balance the majority of the demands identified in the capital programme. With the contribution being reduced back down to £1.5m in 2016/17, and maintained at this level throughout the remainder of the capital programme, subject to affordability and in particular the outcome of future funding settlements.

Total Capital Funding

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

	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Grant	3.010	-	-	-	-	3.010
Capital Receipts	1.187	0.300	1.000	-	-	2.487
Capital Reserves	0.236	0.958	3.523	0.818	2.541	8.076
Revenue Contributions	2.000	1.500	1.500	1.500	1.500	8.000
	6.433	2.758	6.023	2.318	4.041	21.573

Summary Programme

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

	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Requirements	6.433	2.758	6.023	2.318	4.153	21.685
Capital Funding	6.433	2.758	6.023	2.318	4.041	21.573
Surplus/(Shortfall)	-	-	-	-	(0.112)	(0.112)

Over the next five years of the capital programme there is a shortfall of £0.112m occurring in the fifth year, however it should be noted that the funding assumptions could change as follows:-

- Both the Breathing Apparatus and cutting equipment replacements scheduled for 2019/20 are at estimated costs, and would be subject to proper costings nearer the time;
- ICT software replacements are based largely on the ICT asset management plan, and are subject to review prior to replacement, which has led in the past to slippage;
- Based on current projections, there is likely to be revenue underspend in 2014/15, which could be transferred into capital reserves as part of the year end process to balance the programme should this be required.

Given the options identified above it is clear that the shortfall can be offset in the medium term and hence the programme can be considered prudent, sustainable and affordable. The main thrust of the capital programme remains one of targeting building work in line with stock condition surveys and the outcome of the Emergency Cover Review, to facilitate the delivery of savings.

It must be recognised that future funding levels, both in terms of revenue and capital, may impact upon the achievability of the programme as identified, and as such should any of the funding assumptions or expenditure items within the programme change, this will have an impact on the overall affordability of the programme.

Impact on the Revenue budget

It is worth noting that the capital programme and its funding impacts on the on-going revenue budget, in terms of the cost of borrowing and specific funding set aside in the revenue budget in order to balance the capital programme.

The Authority has set aside funds to repay all outstanding PWLB debt at the end of 2018/19, which reduces the capital financing costs charged to the revenue budget, delivering a saving of £0.7m in the revenue budget.

The draft programme as set utilises all capital reserves and receipts meaning that any funding gap needs to be made up from additional revenue contributions. As such the draft revenue budget includes a transfer of £8.0m over the next 5 years, in order to balance overall capital funding requirements, which is broadly consistent with the on-going vehicles replacement programme. This will come under increasing pressures in future years as any reduction in this will reduce the overall revenue funding gap and hence the need to make savings, however clearly the removal of this will impact upon the long term capital programme.

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 on 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
None		
Reason for inclusion in Part II, if appropriate:		

