

## **LANCASHIRE COMBINED FIRE AUTHORITY**

Meeting to be held on 18 December 2017

### **CAPITAL BUDGET 2018/19-2022/23**

Contact for further information:

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#### **Executive Summary**

The report sets out the draft capital programme for 2018/19-2022/23.

The draft programme as set out is affordable as it does not require any additional borrowing, but does use the majority of our existing capital reserves, which ties in to a planned use of reserves over the medium term.

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 19 February 2018, in light of the consultation process
- (iv) Approve the removal of £1.25m in respect of training assets from the 2017/18 capital budget, noting that this is now incorporated into the 5 year programme as presented

#### **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.

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Vehicles	2.428	1.648	1.968	1.173	1.169	<b>8.385</b>
Operational Equipment	-	1.000	-	0.895	0.100	<b>1.995</b>
Buildings	4.140	2.500	1.500	-	-	<b>8.140</b>
IT Equipment	0.270	0.765	0.560	0.100	-	<b>1.695</b>
<b>Total</b>	<b>6.838</b>	<b>5.913</b>	<b>4.028</b>	<b>2.168</b>	<b>1.269</b>	<b>20.215</b>

## 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:-

<b>Type of Vehicle</b>	<b>No of Vehicles</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Pumping Appliance	6	3	4	3	3
Water Tower	1	-	-	-	-
Mobile Fire Stations (MFS)	1	-	-	-	-
Aerial Ladder Platform (ALP)	-	1	1	-	-
All-Terrain Vehicle	-	-	1	1	-
Prime mover	-	-	-	2	-
Pod	1	1	-	-	-
Operational Support Vehicles	22	21	18	14	26
	31	26	24	20	29

The replacement programme has been adjusted to remove peaks in the number of vehicle replacements in any one year for a number of years now. This 'smoothing' has inevitably resulted in some vehicles being replaced marginally ahead of or behind schedule in the past, but provides a better basis for longer term replacement strategies, which is evident in the programme outlined above.

LFRS has trialled to concept of a Water Tower during the last 12 months, as an operational vehicle which will ultimately replace a pumping appliance where appropriate to do so, as approved by Planning Committee in November. As such we have included the purchase of a further water tower in future years to enhance our operational capability, in addition to the purchase of the water tower that is currently leased in the current financial year.

LFRS currently has several vehicles provided and maintained by CLG under New Dimensions, which under LFRS replacement schedules would be due for replacement during the period of the programme. However our understanding is that CLG will issue

replacement vehicles if they are beyond economic repair, or if the national provision requirement changes. Should LFRS be required to purchase replacement vehicles, grant from CLG may be available to fund them. For information we estimate the assets would cost somewhere in the region of £2m to replace like for like. Based on the current position, we have not included these vehicles (or any potential grant) in our replacement plan.

We have included a provision for 10 Flexible Duty Officers cars to be purchased each year, following on from recent discussions regarding the impact of HMRC taxation changes in the current financial year. The actual requirement will be considered further before these are actioned, but are included to highlight the potential effects on the capital programme.

In addition, Fleet Services continue to review future requirements for the replacement of all vehicles in the portfolio, hence there may be some scope to modify requirements as these reviews are completed, and future replacement programmes will be adjusted accordingly.

### Operational Equipment

The following plan allows for the replacement of items at the end of their current asset lives, based on current replacement cost:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
Breathing Apparatus (BA) and Telemetry equipment	-	-	-	0.700	0.100
Cutting and extrication equipment	-	1.000	-	-	-
Light Portable Pumps	-	-	-	0.130	-
Defibrillators	-	-	-	0.065	-
	-	<b>1.000</b>	-	<b>0.895</b>	<b>0.100</b>

Each of these groups of assets is subject to review prior to replacement, which may result in a change of requirements or the asset life. Last year's capital programme included a continuing budgetary provision from 2018/19 onwards in respect of Future Fire Fighting, however following on from discussions with the Head of Fleet Services, it has been agreed that this amount should be removed as the current replacement priorities are already included above.

### Buildings

#### Preston Fire Station

The current level of backlog maintenance within the Service is now minimal, reflecting the investments the Authority has made in its building stock. Following completion of works budgeted during 2017/18, the Authority will only have one fire station classed as in poor condition, Preston. A sum of £3.5m is included in 2017/18 budget for the replacement of this station, however this has been delayed whilst discussions have taken place with NWAS about construction of a joint facility. Whilst NWAS have confirmed their intention to move to a joint facility discussions are still on-going re final

design and costs, however it is clear that their inclusion in the project will significantly increase the construction costs, including fees etc., which will be recovered via a long term lease agreement. As such a further capital cost of £2.1m is included in the 18/19 capital programme to cover the balance of the anticipated construction cost.

#### Workshop/Training Support Facility

The current design for Fleet Workshop provided two facilities, a workshop for equipment maintenance and a facility for Driver Training School, at an estimated cost of £0.4m. Since its initial conception the following requirements have been added to the project:-

- Separating out “dirty” and “clean” areas in terms of BA school, in essence leaving “clean” areas within Astley House but establishing new “dirty” areas in an extended facility
- Replacing trainer facilities currently accommodated in Midgely House, facilitating the demolition of the existing building

As a result the initial designs are now being updated to incorporate the new requirements.

No detailed costings are available at this point in time however a provision of £2.0m has been set aside for this project. Subject to approval we will move to a more detailed design and costing process and report the outcome of this process back to Members for sign off before any works commence.

#### Training Assets

Members will be aware that a review of SHQ was undertaken some years ago, the outcome of which was that a project was agreed to relocate SHQ to the Training Centre site and dispose of the existing site, whilst retaining Fulwood Fire Station in situ. As a result of the uncertainty surrounding governance and funding the project was put on hold in 2013/14 for a five year period. As such the Authority will need to give further consideration to this issue in 2018/19.

As a result of this decision any significant investment in SHQ and relevant parts of the STC site has also been on hold, and remains so until a longer term decision is made. However it is clear that this position is not sustainable as some of the facilities at STC require upgrading/refurbishing/replacing. The draft programme as set out therefore includes a provision of £4.0m covering 2018/19 and 2019/20 to enable these works to be completed.

It is worth noting that the 17/18 capital budget includes a sum of £1.25m relating to investment in training assets at both STC and service delivery locations to maximise the efficiency and consistency of staff training, and in particular RDS staff. The exact requirements are still subject to review, hence no costs have been incurred on these to date. Hence looking at commitments in the capital programme and capacity within the Service capital works on these are unlikely to take place in 18/19 and it is therefore proposed that this sum is removed from the 17/18 capital programme (and from any slippage on that) and is incorporated in the draft 5 year programme as presented today. The draft programme as set out therefore includes a provision of £4.0m covering 2018/19 and 2019/20 to enable these works to be completed. This will be refined as further work takes place to scope out and cost requirements, in the coming months, prior to a longer term decision being made on the future of the STC site.

No provision has been made for the relocation of SHQ, however the draft programme as presented will clearly need reviewing and updating if the Authority decide to relocate at a future date.

	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
Preston Fire Station	2.140	-	-	-	-
Workshop/Training Support Facility	2.000	-	-	-	-
Training Assets	-	2.500	1.500	-	-
	<b>4.140</b>	<b>2.500</b>	<b>1.500</b>	-	-

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

	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
<b>Replace Existing Systems</b>					
Dynamic Mobilising Tool	0.150				
Storage Area Network (SAN)	0.120				
Vehicle specification crash recovery software		0.020			
Pooled PPE system		0.080			
Hydrant Management system		0.020			
Finance system			0.250		
Incident Command system			0.060		
Asset Management system			0.100		
HR & Payroll system			0.150		
Community Fire Risk Management Information System (CFRMIS)				0.100	
	<b>0.270</b>	<b>0.120</b>	<b>0.560</b>	<b>0.100</b>	-
<b>Operational Communications</b>					
Alerters for RDS/DCP staff		0.065			
Incident Ground Radios		0.180			
Vehicle Mounted Data Systems (VMDS) hardware replacement		0.400			
	-	<b>0.645</b>	-	-	-
<b>Total ICT Programme</b>	<b>0.270</b>	<b>0.765</b>	<b>0.560</b>	<b>0.100</b>	-

The anticipated replacements of operational communications assets which are affected by the national Emergency Services Mobile Communications Project (ESMCP) to deliver a replacement for Airwave (the wide area radio system currently used for mobilising by all blue light services) are currently included within the 2017/18 capital programme. The national project timeframes have slipped further, and we are awaiting updated timelines and budget information. As the national situation becomes clearer the budget will be updated as required.

## **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. However any future borrowing will incur a financing charge against the revenue budget for the period of the borrowing.

Given the financial position of the Authority we have not needed to borrow since 2007, and have recently repaid a large proportion of our borrowing. Based on the draft capital programme presented this position will not change, however any major additional capital project, such as relocating SHQ, would impact on this.

### **Capital Grant**

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

Capital grant was made available to the Fire sector in 2015/16 based on a bidding process. Members will recall we were successful in our bid for £3m of capital grant. No capital grant has been made available since this date, and there are no indications that grant will be made available for 2018/19, or future years, and hence no allowance has been included in the budget.

### **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 holds £1.6m of capital receipts following the sale of surplus land at Valley Road, Penwortham during 2017/18. Officer cars are currently included in the capital programme on an assumed 3 year life, therefore we have included a capital receipt of £0.1m in 2020/21 and beyond reflecting anticipated disposal proceeds.

At the end of the 5 year programme we anticipate holding £0.7m of capital receipts, which will be available to meet future costs.

## 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 2017/18 capital programme, the Authority expects to hold £10.7m of capital reserves. Over the life of the programme we anticipate utilising £9.2m, leaving a balance of £1.5m by the end of 2022/23.

### Summary capital receipts and reserves position

	Capital Receipts	Capital Reserves	Total
	£m	£m	£m
Balance 31/3/18	1.6	10.7	12.3
Change in year	-	(4.8)	(4.8)
Balance 31/3/19	1.6	5.9	7.5
Change in year	-	(4.0)	(4.0)
Balance 31/3/20	1.6	1.9	3.5
Change in year	(0.9)	(1.1)	(2.0)
Balance 31/3/21	0.7	0.8	1.5
Change in year	(0.1)	-	(0.1)
Balance 31/3/22	0.6	0.8	1.4
Change in year	0.1	0.7	0.8
Balance 31/3/23	0.7	1.5	2.2

### Revenue Contribution to Capital Outlay (RCCO)

The revenue budget allows for an annual sum of £2m to be transferred into the Capital Funding Reserve in order to fund capital expenditure either in-year or to be carried forward to fund the programme in future years. This sum forms the basis of funding in the future capital programme, in particular once current capital reserves and receipts have been fully utilised, any requirement in excess of this would require prudential borrowing as explained above.

The revenue contribution remains the same over the life of the programme.

### Total Capital Funding

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

	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Grant	-	-	-	-	-	-
Capital Receipts	-	-	0.876	0.168	-	<b>1.044</b>
Capital Reserves	4.838	3.913	1.152	-	(0.732)	<b>9.171</b>
Revenue Contributions	2.000	2.000	2.000	2.000	2.000	<b>10.000</b>
	<b>6.838</b>	<b>5.913</b>	<b>4.028</b>	<b>2.168</b>	<b>1.268</b>	<b>20.215</b>

## Summary Programme

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

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Requirements	6.838	5.913	4.028	2.168	1.269	<b>20.215</b>
Capital Funding	6.838	5.923	4.028	2.168	1.269	<b>20.215</b>
<b>Surplus/(Shortfall)</b>	-	-	-	-	-	-

Over the next five years the capital programme is currently balanced, however it should be noted that the following assumptions could change:-

- Operational Communications replacements (ESMCP) are subject to a great deal of uncertainty as described earlier;
- Capital grant may be made available in future years, in order to assist service transformation and greater collaboration;
- The further introduction of Water Towers are subject to a review and vehicle requirements could be amended;
- New Dimensions vehicle replacements are expected to be carried out by CLG, however this position may change;
- All operational equipment item replacements 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 significant slippage;

The programme is balanced, and as such be considered prudent, sustainable and affordable. However as noted above, 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 directly impacts on the revenue budget in terms of capital financing charges and in terms of the revenue contribution to capital outlay. Based on the provisional 4 year settlement and the assumptions included within it, the position in respect of the revenue budget appears sustainable until at least March 2020. Dependent upon future funding the revenue contribution to capital may come under increasing pressure, or alternatively if the Authority needs to borrow to meet future capital requirements this will impact the revenue budget as capital financing charges, the scale of which will depend upon the type of asset the borrowing is charged against, as it is linked to the life of assets.

### 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:		