

**LANCASHIRE COMBINED FIRE AUTHORITY  
RESOURCES COMMITTEE**

Meeting to be held on 28 June 2017

**YEAR END CAPITAL OUTTURN 2016/17  
(Appendices 1 and 2 refer)**

Contact for further information:

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

**Executive Summary**

This report presents:

- the year end position for the Authority's capital programme, and how this has been financed;
- the impact of slippage from the 2016/17 capital programme into the 2017/18 programme.

**Recommendation**

The Authority is asked to:-

- ii) note the capital outturn position, the financing of capital expenditure 2016/17 and the prudential indicators;
- iii) approve the revised capital programme and financing of this for 2017/18.

**Information**

The year end position for the Authority's capital programme, and how this has been financed, is set out in Appendix 1, and summarised below.

The final outturn position was spend of £3.508m compared with total budget of £8.823m with a slippage requirement of £5.354m, resulting in an overall overspend of £0.039m. This position is broadly consistent with forecasts reported at the last meeting, which anticipated an outturn spend of £3.704m, slippage of £5.161m, and an overspend of £0.043m. As can be seen, the main change is a slight reduction in spend, which increases the slippage requirement – Members should note that slippage is simply a timing issue dependent on the progress of capital schemes, and not an indication of future underspends.

Area of Spend	Actual Expenditure £m	Slippage £m	(Under) / Over spend £m	Explanation
<b>Property, Plant and Equipment</b>				
Pumping Appliances	0.431	(0.533)	0.014	The spend relates to the purchase of 5 pumping appliances for the 2016/17 programme, which were ordered in July 2016. We reported at the last meeting that delivery of these has been delayed to during June 2017, which was due to delays in

				<p>external component deliveries and the subsequent effect on the build timeframes. We have been working with the contractor to prevent this occurring for future years build programmes.</p> <p>The overspend is in line with expectations as final contract prices were marginally higher than anticipated. As reported previously, this has been built into future capital budgets.</p>
Other Vehicles	0.133	(0.437)	0.020	<p>The spend relates to the purchase of various operational support vehicles, such as cars and vans, which is in line with sums previously reported, and the £437k of slippage is required to enable the Authority to complete the procurements underway for vehicles delivered during May 2017, and in addition progress the purchase of two Driver Training Vehicles for which Fleet Services has been working with Training Centre to specify requirements before starting a procurement process during 2017/18.</p>
Operational Equipment	0.307	(0.693)	-	<p>As reported previously, spend relates to the purchase of various innovations in firefighting equipment, specifically: an Unmanned Aerial Vehicle (UAV) or drone, flood suits for all operational staff along with various items of flood rescue equipment, stabilisation struts for operational use during rescues involving crashed vehicles, or collapsed/damaged property.</p> <p>The slippage relates to the regional procurement exercise for technical rescue jackets for non-fire related incidents which have now been ordered for delivery during 2017/18, and also allows for the potential to purchase body worn cameras for operational use for learning from incidents, and for staff protection in certain locations.</p>
Buildings	2.574	(3.061)	0.015	<p>In line with the previous report, expenditure in year relates to:</p> <ul style="list-style-type: none"> <li>the purchase and refurbishment of the property adjacent to Lancaster fire station in order to facilitate the redevelopment of the site;</li> <li>stage payments for the refurbishment of Carnforth fire station which was completed in February; and</li> <li>initial stage payments for the replacement water main, plus costs of the build of the Multi-Compartment Fire Fighting prop at Training Centre.</li> </ul> <p>Slippage is largely consistent with the previous report, and relates to:</p> <ul style="list-style-type: none"> <li>continued works on Lancaster fire station for the new joint fire/ambulance station project, which was delayed by the decision in June</li> </ul>

				<p>2016 to move away from the initial development partner and undergo our own procurement process to let a build contract, hence it was clear there would be significant slippage due to the timescales involved on such a large contract</p> <ul style="list-style-type: none"> <li>the balance of the re-development works at STC anticipated to take place in 17/18, i.e. the completion of the water main ongoing works and improvements in the overall landscaping of the site, i.e. car park areas and roadways</li> <li>replacement of Fleet workshop relocating to Training Centre</li> <li>The purchase of land adjacent to Preston Fire Station to enhance any future site development, which had previously been anticipated during 2016/17, but actually occurred in early June.</li> </ul> <p>The net overspend of £0.015m (in line with forecasts) relates to expected contract variations in relation to Carnforth refurbishment, less underspends following the completion of the Barnoldswick refurbishment completed during the year.</p>
<b>Total Property, Plant and Equipment</b>	<b>3.445</b>	<b>(4.724)</b>	<b>0.049</b>	
<b>Intangible Assets</b>				
ICT Systems	0.063	(0.630)	(0.010)	<p>The outturn position Spend during the year relates to:</p> <ul style="list-style-type: none"> <li>Final completion of the replacement asset management system modules</li> <li>the upgrade for the CFRMIS (Community Fire Risk Management Information System)</li> </ul> <p>The slippage is attributable to:</p> <ul style="list-style-type: none"> <li>Potential replacement Incident Recording System/Management Information System, a review of which will be carried out during 2017/18</li> <li>Initial costs of the national Emergency Services Mobile Communications Project (ESMCP) to replace the Airwave wide area radio system – with further budgetary provision included in the 2017/18 capital budget</li> <li>the replacement of the wide area network (WAN) to allow a solution to be in place when current service</li> </ul>

				contracts are due to end during 2017/18, for which the specification is currently being drafted.  The underspend relates to the budget which was not required for the CFRMIS replacement.
<b>Total Intangible Assets</b>	<b>0.063</b>	<b>(0.630)</b>	<b>(0.010)</b>	
<b>Grand Total</b>	<b>3.508</b>	<b>(5.354)</b>	<b>0.039</b>	

Appendix 1 also shows how the programme has been financed in year, from a combination of capital grant (£2.0m), and revenue contributions (£1.5m).

Over the next five years the position in terms of capital reserves, available to fund future capital programmes will be as follows: -

	<b>Capital Reserves £m</b>	<b>Capital Receipts £m</b>	<b>Total £m</b>
Balance 31/3/16	10.284	1.501	11.785
Additions - RCCO per the capital programme	3.530	-	3.530
Transfer from revenue budget 2016/17	2.300	-	2.300
Transfer from earmarked reserves 2016/17	2.053	-	2.053
Less – RCCO utilised in 2016/17	(1.534)	-	(1.534)
Balance 31/3/17	16.633	1.501	18.134
Additions/utilisation in year	(7.219)	-	(7.219)
Balance 31/3/18	9.414	1.501	10.915
Additions/utilisation in year	(4.951)	-	(4.951)
Balance 31/3/19	4.463	1.501	5.964
Additions/utilisation in year	(3.334)	-	(3.334)
Balance 31/3/20	1.129	1.501	2.630
Additions/utilisation in year	0.328	-	0.328
Balance 31/3/21	1.457	1.501	2.958
Additions/utilisation in year	0.045	-	0.045
Balance 31/3/22	1.502	1.501	3.003

As can be seen the capital programme over the next five financial years will leave a balance of £3.0m in capital reserves.

#### Prudential Indicators 2016/17

Under the prudential framework the Authority is required to identify various indicators to determine whether the approved capital programme is affordable, prudent and sustainable.

The revised indicators, after allowing for the various changes to the capital programme, are shown in the following table, alongside the actual outturn figures, and these show that performance has been within approved limits.

	<b>Revised</b>	<b>Actual</b>
Ratio of Financing Costs to Net Revenue Stream (this expresses net financing charges as a % of total net revenue spending)	(0.18%)	(0.04%)
Capital Expenditure (this is simply a measure of spend)	£8.823m	£3.508m
Capital Financing Requirement (this measures the authority's underlying need to borrow to fund its capital programmes)	nil	nil

### Impact of 2016/17 Capital Programme on Council Tax

The estimated impact on band D council tax of the revised capital programme compared to the actual outturn figures is as follows:

	<b>Revised</b>	<b>Actual</b>
Gross Increases in Band D Council Tax	£14.80	£3.67
Estimated Government Support (RSG)	-	-
Increases in Band D Council Tax	£14.80	£3.67
Of which, due to the budgeted revenue contribution	£8.45	£3.67
Of which, due to utilisation of reserves	£6.35	-
Net increases in Band D Council Tax	-	-

As can be seen, there is no increase in council tax arising from the use of the revenue budget to fund capital expenditure, which was already allowed for in the overall council tax charged for 2016/17. Hence the net impact in terms of new council tax was zero.

### The Impact of Slippage from the 2016/17 Capital Programme into the 2017/18 Programme

The original approved capital programme for 2017/18 was £8.179m, which excluded any estimated slippage from 2016/17. This has been amended to reflect the final level of slippage of £5.354m, outlined above, therefore the final proposed capital programme for 2017/18 is £13.534m, which is funded from capital grant, revenue contributions, capital reserves and earmarked reserves.

The revised programme and its funding are set out in appendix 2.

The following table sets out the revised prudential indicators for 2017/18-2019/20, showing that the revised programme remains affordable, prudent and sustainable, as follows: -

	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
Ratio of Financing Costs to Net Revenue Stream. (the figures show that the revenue costs of the Authority's capital expenditure plans are still a very small part of the overall budget.)	0.18%	0.12%	0.20%
Capital Expenditure	£13.534m	£6.701m	£5.084m
Capital Financing Requirement	-	-	-

## Impact of revised 2017/18 Capital Programme on Council Tax

The estimate of the impact of slippage would indicate the following increases in the band D council tax over the period:

	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
Gross Increases in Band D Council Tax	£28.59	£15.72	£11.81
Estimated Government Support (RSG)	-	-	-
Increases in Band D Council Tax	£28.59	£15.72	£11.81
Of which, due to the budgeted revenue contribution	£4.74	£4.11	£4.06
Of which, due to utilisation of reserves	£23.85	£11.61	£7.74
Net increases in Band D Council Tax	-	-	-

As can be seen the increase in council tax arises from the budgeted drawdown from reserves, which has already been charged to the council tax in previous years, and the budgeted revenue contribution, which is already allowed for in the overall council tax charged for 2017/18. Hence there is no net impact in terms of new council tax in each of the three years.

### **Financial Implications**

As outlined in the report

### **Business Risk Implications**

The outturn report sets out how the Authority has performed financially in the year, and as such is a key means of stakeholders monitoring the Authority and assessing how it is performing.

### **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.

### **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 Equality & Disability legislation.

### **Human Resource Implications**

None

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper	<i>Date</i>	Contact
None		
Reason for inclusion in Part II, if appropriate:		

**CAPITAL BUDGET 2016/17**

<b>CAPITAL BUDGET 2016/17</b>	<b>Revised Programme</b>	<b>Actual Expenditure</b>	<b>Variance to Date</b>	<b>Year End Forecast</b>	<b>Slippage</b>	<b>Estimated final Cost</b>	<b>Over/ (Under) Spend</b>
<b>Vehicles</b>							
Pumping Appliance	0.950	0.431	(0.519)	0.431	(0.533)	0.964	0.014
Other Vehicles	0.550	0.133	(0.417)	0.133	(0.437)	0.570	0.020
	1.500	0.564	(0.936)	0.564	(0.970)	1.534	0.034
<b>Operational Equipment</b>							
Operational Equipment	1.000	0.307	(0.693)	0.307	(0.693)	1.000	-
	1.000	0.307	(0.693)	0.307	(0.693)	1.000	-
<b>Buildings Modifications</b>							
STC Redevelopment	1.052	0.259	(0.793)	0.259	(0.793)	1.052	-
Day Crewing Plus	0.008	0.008	0.000	0.008	0.000	0.008	-
Lancaster Replacement	4.092	1.974	(2.118)	1.974	(2.119)	4.092	0.000
Other works	0.468	0.333	(0.135)	0.333	(0.150)	0.483	0.015
	5.620	2.574	(3.046)	2.574	(3.061)	5.635	0.015
<b>ICT</b>							
IT Systems	0.703	0.063	(0.640)	0.063	(0.630)	0.693	(0.010)
	0.703	0.063	(0.640)	0.063	(0.630)	0.693	(0.010)
<b>Total Capital Requirement</b>	<b>8.823</b>	<b>3.508</b>	<b>(5.315)</b>	<b>3.508</b>	<b>(5.354)</b>	<b>8.862</b>	<b>0.039</b>
<b>Funding</b>							
Capital Grant	2.640	1.974	(0.666)	1.974	(0.666)	2.640	-
Revenue Contributions	3.530	1.534	(1.996)	1.534	(1.996)	3.530	-
Earmarked Reserves	0.200	-	(0.200)	-	(0.200)	0.200	-
Capital Reserves	2.453	-	(2.453)	-	(2.492)	2.492	0.039
<b>Total Capital Funding</b>	<b>8.823</b>	<b>3.508</b>	<b>(5.315)</b>	<b>3.508</b>	<b>(5.354)</b>	<b>8.862</b>	<b>0.039</b>

**CAPITAL BUDGET 2017/18**

<b>CAPITAL BUDGET 2017/18</b>	<b>Original Programme</b>	<b>Slippage</b>	<b>Revised Programme</b>
<b>Vehicles</b>			
Pumping Appliance	1.195	0.533	1.728
Other Vehicles	0.464	0.437	0.901
	1.659	0.970	2.629
<b>Operational Equipment</b>			
Operational Equipment	0.420	0.693	1.113
	0.420	0.693	1.113
<b>Buildings Modifications</b>			
STC Redevelopment	-	0.793	0.793
Lancaster Replacement	-	2.119	2.119
Other works	4.750	0.150	4.900
	4.750	3.061	7.811
<b>ICT</b>			
IT Systems	1.350	0.630	1.980
	1.350	0.630	1.980
<b>Total Capital Requirement</b>	<b>8.179</b>	<b>5.354</b>	<b>13.533</b>
<b>Funding</b>			
Capital Grant	0.800	0.666	1.466
Revenue Contributions	2.000	-	2.000
Earmarked Reserves	0.049	0.200	0.249
General reserves	2.600	-	2.600
Capital Reserves	2.730	4.488	7.219
<b>Total Capital Funding</b>	<b>8.179</b>	<b>5.354</b>	<b>13.533</b>