

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 21 May 2018

**YEAR END CAPITAL OUTTURN 2017/18
(Appendices 1 and 2 refer)**

Contact for further information:

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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 2017/18 capital programme into the 2018/19 programme.

Recommendation

The Resources Committee is asked to:-

- note the capital outturn position, the financing of capital expenditure 2017/18 and the prudential indicators;
- approve the purchase of an additional pumping appliance, as opposed to 2 driver training vehicles, and the impact of this on the 2018/19 capital programme;
- note the adjustment to the 2018/19 capital programme to allow for the purchase of a new ALP;
- approve the revised 2018/19 capital programme, the financing of this and the prudential indicators.

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 £4.6m spend compared with total budget of £12.7m, with the difference being slippage of £8.1m.

This position is broadly consistent with forecasts reported at the last meeting, which anticipated an outturn spend of £4.7m and slippage of £8.0m. As can be seen, the main change is a reduction in spend, associated with Lancaster Fire and Ambulance Station, with a corresponding increase in 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	17/18 Budget	Actual Expenditure	Slippage	(Under) / Over spend	Explanation
	£m	£m	£m	£m	
Pumping Appliances	1.7	1.7	-	-	The budget allowed for the purchase of 6 pumping appliances for the 2017/18 programme, for which the order was placed in February 2017. These were delivered in March. In addition, the budget allows for the final stage payments in relation to the 5 pumping appliances carried from the 2016/17 programme, which were delivered during June and August.
Other Vehicles	1.3	0.7	(0.6)	-	Spend related to the purchase of the Water Tower vehicle and various operational support vehicles during the year. In addition, this budget also allowed for the replacement of one of the Command Support Units, requirements are still being finalised therefore as previously reported this will slip over into 2018/19, along with the budget for any support vehicles not received. The budget also included the replacement of two Driver Training Vehicles. Following a review it is proposed that these are replaced with pumping appliances, thus providing more realistic driver training, as well as increasing the reserve fleet, and also recognising that over the 8 year life of Driver Training vehicles pumping appliance design will change and hence a policy for providing training on actual pumping appliances will ensure that vehicles used for training purposes keep pace with design developments. The cost of a pumping appliance is currently £205k compared with the budget for two driver training vehicles of £190k, hence an additional drawdown of £15k from the capital funding reserve will be required in 18/19.
Operational Equipment	1.1	0.3	(0.8)	-	Spend relates to the purchase of fog spikes within the future firefighting budget. This budget also allowed for the replacement of Thermal Imaging Cameras (TICs), for which was subject to a regional procurement exercise, which were delivered in March. In addition, the budget allowed for the balance of the Future Fire Fighting equipment budget, the majority of which relates to the purchase of the technical rescue jackets, following the regional

					procurement exercise, which will be delivered during the first quarter of the new financial year as previously reported. The replacement of Breathing Apparatus Radios will slip into 2018/19, as options are being reviewed including the potential to undertake a regional procurement process.
Buildings	6.6	1.9	(4.7)	-	<p>Committed spend to date relates to completion of the replacement water main and the completion of the Multi Compartment Fire Fighting prop at STC, purchase of the land adjacent to Preston Fire Station in preparation for redevelopment, and sums paid to date in respect of the redevelopment of the Lancaster Fire & Ambulance facility, which is expected to complete during the first quarter of 2018/19.</p> <p>The slippage figure relates to:</p> <ul style="list-style-type: none"> • Carry forward of outstanding STC redevelopment works, • the balance of costs associated with the completion of Lancaster Station • the redevelopment of Preston Fire and Ambulance Station where we are in the process of appointing consultants to take the project forward to detailed design and ultimately construction. • the replacement Fleet workshop is currently in the detailed design stage prior to undertaking a tendering exercise
ICT Systems	2.0	-	(2.0)	-	<p>The majority of the capital budget relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system and the replacement of the station end mobilising system. The ESMCP project budget, £1.0m, is offset by anticipated grant, however the timing of both expenditure and grant is dependent upon progress against the national project. We will not incur any costs in the current year. We are still awaiting an updated project timeframe from the National project team</p> <p>Given the delay on the ESMCP project, the replacement station end project has also been delayed, however we are currently reviewing options to enhance resilience and ensure that any solution is compatible with the eventual ESMCP solution.</p> <p>The budget also allowed for the replacement of the Services wide area network (WAN) providing an enhanced</p>

					network and improving speed of use across the Service. The delivery of this is currently scheduled for the first half of the new financial year. The balance of the budget relates to the replacement of various systems, in line with the ICT asset management plan. We are still reviewing these systems in terms of requirements, having experienced capacity issues within various departments. Hence the delay into the new financial year.
Grand Total	12.7	4.6	(8.1)	-	

Appendix 1 also shows how the programme has been financed in year, from a combination of capital grant (£0.5m), revenue contributions (£1.5m), the drawdown of earmarked reserves (£0.2m) and the drawdown of general reserves (£2.4m). The balance of the agreed revenue contributions (£0.9m) and the agreed drawdown of general reserves (£0.2m) has been transferred to the capital funding reserve, and will be utilised in 2018/19.

Prudential Indicators 2017/18

Under the prudential framework the Authority is required to identify various indicators to determine whether the 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.

	Revised	Actual
Ratio of Financing Costs to Net Revenue Stream (this expresses net financing charges as a % of total net revenue spending)	0.23%	(0.06%)
Capital Expenditure (this is simply a measure of spend)	£12.704m	£4.638m
Capital Financing Requirement (this measures the authority's underlying need to borrow to fund its capital programmes)	£0.250m	£0.250m

Impact of 2017/18 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:

	Revised	Actual
Gross Increases in Band D Council Tax	£20.19	£9.72
Estimated Government Support (RSG)	-	-
Increases in Band D Council Tax	£20.19	£9.72
Of which, due to the budgeted revenue contribution	£5.66	£5.70
Of which, due to utilisation of reserves	£14.54	£4.02
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 2017/18. Hence the net impact in terms of new council tax was zero.

The Impact of Slippage from the 2017/18 Capital Programme into the 2018/19 Programme

The original approved capital programme for 2018/19 was £8.0m, which excluded any estimated slippage from 2017/18. This has been amended to reflect the final level of slippage of £8.1m, outlined above. In addition approval has been given to bringing forward the replacement of an ALP from 2019/20 into 2018/19, at a cost of £0.6m. The ALP in question was 18 years old and was included in next year's programme primarily due to lead times, however as our current supplier was able to offer a stock vehicle, the opportunity to purchase this was agreed on the basis of savings in terms of maintenance and training costs. Therefore the final proposed capital programme for 2018/19 is £16.6m, which is funded from capital grant, revenue contributions, and capital reserves. The revised programme and its funding are set out in appendix 2. It is worth re-iterating that the full cost of schemes is included in the year in which procurement of works/services is anticipated to start, even when a major scheme is anticipated to spread over two financial years. Whilst this inevitably leads to slippage on the programme it ensures that the full costs of the scheme can be met from in-year budget should works proceed ahead of anticipated timescales. An update on forecast timings and spend in year will be provided at the next Committee meeting.

The following table sets out the revised prudential indicators for 2018/19-2020/21, showing that the revised programme remains affordable, prudent and sustainable, as follows: -

	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
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.)	(0.31%)	(0.23%)	(0.26%)
Capital Expenditure	£16.037m	£5.811m	£3.923m
Capital Financing Requirement	£0.245m	£0.245m	£0.245m

Impact of revised 2018/19 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:

	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Gross Increases in Band D Council Tax	£34.78	£13.21	£8.77
Estimated Government Support (RSG)	-	-	-
Increases in Band D Council Tax	£34.78	£13.21	£8.77
Of which, due to the budgeted revenue contribution	£4.63	£4.55	£4.47
Of which, due to utilisation of reserves	£30.15	£8.66	£4.30
Net increases in Band D Council Tax	-	-	-

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 2018/19. Hence there is no net impact in terms of new council tax in each of the three years.

Capital Reserves

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

	Capital Reserves	Capital Receipts	Capital Grant	Total
	£m	£m	£m	£m
Balance 31/3/17	16.6	1.5	0.5	18.6
Transfer from revenue budget	2.6	-	-	2.6
Capital Receipts	-	0.1	-	0.1
Utilised	(2.4)	-	(0.5)	(2.9)
Unused Revenue Contributions	0.9			0.9
Balance 31/3/18	17.7	1.6	-	19.3
Additions/utilisation in year	(13.6)	-	-	(13.6)
Balance 31/3/19	4.1	1.6	-	5.7
Additions/utilisation in year	(3.2)	-	-	(3.2)
Balance 31/3/20	0.9	1.6	-	2.5
Additions/utilisation in year	(0.9)	(1.0)	-	(1.9)
Balance 31/3/21	-	0.6	-	0.6
Additions/utilisation in year	(0.0)	(0.1)	-	(0.1)
Balance 31/3/22	-	0.5	-	0.5
Additions/utilisation in year	0.9	-	-	0.9
Balance 31/3/23	0.9	0.5	-	1.4

As can be seen the capital programme over the next five financial years will leave a balance of £1.4m in capital reserves.

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	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

CAPITAL BUDGET 2017/18

	Revised Programme	Actual Expenditure	Variance to Date	Slippage	Estimated final Cost	Over/ (Under) Spend
Vehicles						
Pumping Appliance	1.728	1.728	(0.000)	-	1.728	(0.000)
Other Vehicles	1.322	0.710	(0.611)	(0.594)	1.304	(0.019)
	<u>3.050</u>	<u>2.438</u>	<u>(0.611)</u>	<u>(0.594)</u>	<u>3.032</u>	<u>(0.019)</u>
Operational Equipment						
Operational Equipment	1.112	0.327	(0.785)	(0.776)	1.103	(0.009)
	<u>1.112</u>	<u>0.327</u>	<u>(0.785)</u>	<u>(0.776)</u>	<u>1.103</u>	<u>(0.009)</u>
Buildings Modifications						
STC Redevelopment	0.793	0.224	(0.569)	(0.569)	0.793	-
Lancaster Replacement	2.119	1.498	(0.621)	(0.621)	2.119	-
Other works	3.650	0.151	(3.499)	(3.500)	3.651	0.001
	<u>6.562</u>	<u>1.873</u>	<u>(4.689)</u>	<u>(4.690)</u>	<u>6.563</u>	<u>0.001</u>
ICT						
IT Systems	1.980	-	(1.980)	(1.980)	1.980	-
	<u>1.980</u>	<u>-</u>	<u>(1.980)</u>	<u>(1.980)</u>	<u>1.980</u>	<u>-</u>
Total Capital Requirement	<u>12.704</u>	<u>4.638</u>	<u>(8.065)</u>	<u>(8.039)</u>	<u>12.677</u>	<u>(0.027)</u>
Funding						
Capital Grant	1.505	0.505	(1.000)	(1.000)	1.505	-
Revenue Contributions	2.421	1.493	(0.928)	(0.928)	2.421	-
Earmarked Reserves	0.249	0.224	(0.025)	(0.025)	0.249	-
General reserves	2.600	2.416	(0.184)	(0.184)	2.600	-
Capital Reserves	5.929	-	(5.929)	(5.902)	5.902	(0.027)
Total Capital Funding	<u>12.704</u>	<u>4.638</u>	<u>(8.066)</u>	<u>(8.039)</u>	<u>12.677</u>	<u>(0.027)</u>

CAPITAL BUDGET 2018/19

	Original Prog	Slippage	Resources May	Revised Programme
Vehicles				
Pumping Appliance	1.230	-	0.205	1.435
Other Vehicles	0.998	0.594	0.398	1.990
	2.228	0.594	0.603	3.425
Operational Equipment				
Operational Equipment	-	0.776	-	0.776
	-	0.776	-	0.776
Buildings Modifications				
STC Redevelopment	2.000	0.569	-	2.569
Lancaster Replacement	-	0.621	-	0.621
Preston Replacement	3.500	3.500	-	7.000
Other works	-	-	-	-
	5.500	4.690	-	10.190
ICT				
IT Systems	0.270	1.980	-	2.250
	0.270	1.980	-	2.250
Total Capital Requirement	7.998	8.040	0.603	16.641
Funding				
Capital Grant	-	1.000	-	1.000
Revenue Contributions	2.000	-	-	2.000
Earmarked Reserves	-	0.025	-	0.025
General reserves	-	-	-	-
Capital Reserves	5.998	7.015	0.603	13.616
Total Capital Funding	7.998	8.040	0.603	16.641