

LANCASHIRE COMBINED FIRE AUTHORITY RESOURCES COMMITTEE

Meeting to be held on 7 July 2021

YEAR END CAPITAL OUTTURN 2020/21 (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 2020/21 capital programme into the 2021/22 programme.

Recommendation

The Committee is asked to:-

- note the capital outturn position, the financing of capital expenditure 2020/21 and the prudential indicators; and
- approve the revised 2021/22 capital programme, the financing of this and the prudential indicators.

Information

Members will recall that at the March meeting, the revised capital budget was approved at £2.0m following a re-assessment of potential slippage from the approved 2020/21 programme into the next financial year, reflecting forecast timing of spend. Since then, two areas of work progressed further in 2020/21 than originally expected:

- The STC workshop building works progress was valued on 31 March at £1.7m, £0.6m more than the earlier forecast had predicted – therefore we have moved £0.6m budget back from 2021/22 into 2020/21. The overall contract sum remains the same, it is purely a timing issue, but this does demonstrate the difficulties in accurately forecasting the phasing of large capital projects which span financial years;
- We also received £15k of reserve appliance equipment in March which had been anticipated in April 2021.

As a result of these we have reversed £0.6m of the slippage, increasing the 2020/21 capital programme with a corresponding reduction in the 2021/22 programme. This change leaves the final capital programme for 2020/21 at £2.665m.

Total capital expenditure for the year was £2.654m, reflecting £21k of slippage and an overspend of £10k, as set out in the table over the page, and in appendix 1.

| Area of Spend | 20/21 Budget | Actual Expenditure | Slippage | (Under) / Over spend | Explanation |
|-----------------------|---------------------|---------------------------|-----------------|-----------------------------|---|
| | £m | £m | £m | £m | |
| Pumping Appliances | 0.338 | 0.336 | - | (0.002) | The budget allowed for the remaining stage payments for 7 pumping appliances from the 2018/19 programme. Technical design issues between the crew cab and chassis had significantly delayed the build of these vehicles as previously reported to Resources, however these have all been delivered. |
| Other Vehicles | 0.271 | 0.276 | (0.001) | 0.006 | This budget allowed for the replacement of various support vehicles, which have largely been completed in line with budget. |
| Operational Equipment | 0.015 | 0.015 | - | - | This budget allowed for completion of the kitting out of three reserve pumping appliances, which is almost completed. |
| Buildings | 2.041 | 2.028 | (0.020) | 0.006 | This budget allowed for: <ul style="list-style-type: none"> • Provision of a new workshop, BA Recovery and Trainer facility at STC. Work is ongoing on site, and the year end spend was £1.7m, with the remainder of the project being completed within the approved overall budget in the next financial year. Completion is expected during October 2021; • South Shore refurbishment and extension had a year end spend of £0.3m, with the small amount of slippage reflecting work completed in the new financial year. This project is now complete. |
| ICT Systems | - | - | - | - | The ICT projects originally budgeted were carried forwards in February 2021 into the 2021/22 due to delays associated with the pandemic. |
| Grand Total | 2.665 | 2.654 | (0.021) | 0.010 | |

The programme has been financed in year, from a combination of revenue contributions (£2.491m) and the drawdown of capital reserves (£0.163m), as shown in Appendix 1.

Prudential Indicators 2020/21

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 |
|--|-----------|-----------|
| Net financing costs (Income) | (£0.222m) | (£0.153m) |
| Ratio of Financing Costs to Net Revenue Stream (this expresses net financing charges as a % of total net revenue spending) | (0.39%) | (0.27%) |

| | Revised £m | Actual £m |
|--|---------------|--------------|
| Capital Expenditure (this is simply a measure of spend) | 2.665 | 2.654 |
| Capital Financing (how the spending was funded): | | |
| Grants and contributions | - | - |
| Own resources | 2.665 | 2.654 |
| Debt | - | - |
| Total | 2.665 | 2.654 |
| Capital Financing Requirement (this measures the authority's underlying need to borrow to fund its capital programmes) | 0.005 | nil |

The Impact of Slippage from the 2020/21 Capital Programme into the 2021/22 Programme

The original approved capital programme for 2021/22 was £11.3m. As reported above, this has been updated as follows:

| | £m |
|---|---------|
| Approved capital budget 2021/22 | 11.299 |
| Spent in 2020/21 – transfer budget back into 2020/21 – STC workshop | (0.634) |
| Spent in 2020/21 – transfer budget back into 2020/21 – reserve appliances | (0.015) |
| Additional slippage from 2020/21 into 2021/22 – South Shore refurbishment and extension | 0.021 |
| Remove budget for Morecambe NWS co-location | (0.150) |
| Revised capital budget 2021/22 | 10.521 |

In addition to the timing adjustments reported earlier, we have removed the budget for North West Ambulance Service (NWS) co-location works at Morecambe Fire station, following the mutual decision by NWS and LFRS not to proceed with the project.

As a result, the final proposed capital programme for 2021/22 is £10.5m, 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 clear that due to the Covid-19 pandemic

more slippage will occur during 2021/22 and we are reviewing the potential effect of this. We provide an updated position to members at the next meeting.

The following table sets out the revised prudential indicators for 2021/22-2023/24, showing that the revised programme remains affordable, prudent and sustainable, as follows: -

| | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
|--|-----------------------------|-----------------------------|-----------------------------|
| Net financing costs (Income) | (£0.075m) | £0.025m | £0.040m |
| Ratio of Financing Costs to Net Revenue Stream. (the figures show that there is revenue income rather than costs.) | (0.13%) | 0.30% | 0.07% |

| | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m |
|--|------------------------------------|------------------------------------|------------------------------------|
| Capital Expenditure | 10.521 | 3.196 | 9.647 |
| Capital Financing (how the spending will be funded): | | | |
| Grants and contributions | 1.000 | - | - |
| Own resources | 9.521 | 3.196 | 9.647 |
| Debt | - | - | - |
| Total | 10.521 | 3.196 | 9.647 |
| Capital Financing Requirement | - | - | - |

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 31/3/20 | 17.5 | 1.7 | 0.0 | 19.2 |
| Additions/utilisation in year | 0.4 | 0.0 | 0.0 | 0.4 |
| Balance 31/3/21 | 17.9 | 1.7 | 0.0 | 19.6 |
| Additions/utilisation in year | (7.3) | 0.0 | 0.0 | (7.3) |
| Balance 31/3/22 | 10.7 | 1.7 | 0.0 | 12.4 |
| Additions/utilisation in year | (1.3) | 0.0 | 0.0 | (1.3) |
| Balance 31/3/23 | 9.4 | 1.7 | 0.0 | 11.1 |
| Additions/utilisation in year | (7.4) | 0.0 | 0.0 | (7.4) |
| Balance 31/3/24 | 2.0 | 1.7 | 0.0 | 3.7 |
| Additions/utilisation in year | (1.8) | (1.7) | 0.0 | (3.5) |
| Balance 31/3/25 | 0.2 | 0.0 | 0.0 | 0.2 |
| Additions/utilisation in year | (0.2) | 0.0 | 0.0 | (0.2) |
| Balance 31/3/26 | 0.0 | 0.0 | 0.0 | 0.0 |

As can be seen the capital programme over the next five financial years utilises all of the capital reserves and capital receipts.

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 2020/21

| CAPITAL BUDGET 2020/21 | Revised Prog | Outturn report | Final Programme | Year End Outturn | Slippage | Est final Cost | Over/ (Under) Spend |
|----------------------------------|-------------------------|---------------------------|----------------------------|-----------------------------|-----------------|---------------------------|------------------------------------|
| Vehicles | | | | | | | |
| Pumping Appliance | 0.338 | - | 0.338 | 0.336 | - | 0.336 | (0.002) |
| Other Vehicles | 0.271 | - | 0.271 | 0.276 | (0.001) | 0.277 | 0.006 |
| | 0.609 | - | 0.609 | 0.612 | (0.001) | 0.612 | 0.004 |
| Operational Equipment | | | | | | | |
| Operational Equipment | - | 0.015 | 0.015 | 0.015 | - | 0.015 | (0.000) |
| | - | 0.015 | 0.015 | 0.015 | - | 0.015 | (0.000) |
| Buildings Modifications | | | | | | | |
| STC Workshop | 1.134 | 0.600 | 1.734 | 1.740 | - | 1.740 | 0.006 |
| NWAS Co-location - Morecambe | - | - | - | - | - | - | - |
| Enhanced station facilities | 0.307 | - | 0.307 | 0.287 | (0.020) | 0.307 | - |
| Drill tower replacements | - | - | - | - | - | - | - |
| | 1.441 | 0.600 | 2.041 | 2.028 | (0.020) | 2.047 | 0.006 |
| ICT | | | | | | | |
| IT Systems | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| | | | | | | | |
| Total Capital Requirement | 2.050 | 0.615 | 2.665 | 2.654 | (0.021) | 2.674 | 0.010 |
| Funding | | | | | | | |
| Capital Grant | - | - | - | - | - | - | - |
| Revenue Contributions | 2.491 | - | 2.491 | 2.491 | - | 2.491 | - |
| Earmarked Reserves | - | - | - | - | - | - | - |
| Capital Reserves | (0.441) | 0.615 | 0.174 | 0.163 | (0.021) | 0.183 | 0.010 |
| | | | | | | | |
| Total Capital Funding | 2.050 | 0.615 | 2.665 | 2.654 | (0.021) | 2.674 | 0.010 |

CAPITAL BUDGET 2021/22

| CAPITAL BUDGET 2021/22 | Original Programme | Yr end Slippage | Amend slippage | Revised Programme |
|----------------------------------|---------------------------|------------------------|-----------------------|--------------------------|
| Vehicles | | | | |
| Pumping Appliance | 1.490 | - | - | 1.490 |
| Other Vehicles | 3.035 | 0.001 | - | 3.036 |
| | 4.525 | 0.001 | - | 4.526 |
| Operational Equipment | | | | |
| Operational Equipment | 0.444 | (0.015) | - | 0.429 |
| | 0.444 | (0.015) | - | 0.429 |
| Buildings Modifications | | | | |
| STC Workshop | 3.375 | (0.634) | - | 2.741 |
| NWAS Co-location - Morecambe | 0.150 | - | (0.150) | - |
| Enhanced station facilities | 0.350 | 0.020 | - | 0.370 |
| Drill tower replacements | 0.300 | - | - | 0.300 |
| SHQ Relocation | 0.150 | - | - | 0.150 |
| | 4.325 | (0.614) | (0.150) | 3.561 |
| ICT | | | | |
| IT Systems | 1.945 | - | - | 2.005 |
| | 1.945 | - | - | 2.005 |
| Total Capital Requirement | 11.239 | (0.628) | (0.150) | 10.521 |
| Funding | | | | |
| Capital Grant | 1.000 | - | - | 1.000 |
| Revenue Contributions | 2.250 | - | - | 2.250 |
| Earmarked Reserves | - | - | - | - |
| Capital Reserves | 8.049 | (0.628) | (0.150) | 7.271 |
| Total Capital Funding | 11.299 | (0.628) | (0.150) | 10.521 |