

LANCASHIRE COMBINED FIRE AUTHORITY

Meeting to be held on 19th December 2016

CAPITAL BUDGET 2017/18-2021/22

Contact for further information:

Keith Mattinson - Director of Corporate Services Tel No: 01772 866804

Executive Summary

The report sets out the draft capital programme for 2017/18-2021/22.

The draft programme allows for items included within various asset management plans, some of which still need to be finalised, such as the replacements of Mobile Fire Stations and Aerial Ladder Platforms.

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 20 February 2017, 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.

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m	£m
Vehicles	1.659	1.806	2.814	0.962	1.070	8.311
Operational Equipment	0.420	0.350	1.550	0.250	0.435	3.005
Buildings	4.750	4.000	-	-	-	8.750
IT Equipment	1.350	0.545	0.720	0.210	0.200	3.025
Total	8.179	6.701	5.084	1.422	1.705	23.091

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:-

Type of Vehicle	No of Vehicles				
	2017/18	2018/19	2019/20	2020/21	2021/22
Pumping Appliance	6	6	6	3	3
Mobile Fire Stations (MFS)	1	1	-	-	-
Aerial Ladder Platform (ALP)	-	-	2	-	-
All Terrain Vehicle	-	-	1	-	1
Prime mover	-	-	-	-	2
Pod	-	1	1	-	-
Operational Support Vehicles	10	15	10	15	11
	17	23	20	18	17

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. As a result of this only one support vehicle due for replacement in the period of the programme will be delayed by one year.

The MFS replacements relate to two vehicles at the end of their current asset life, however a review of requirements for these appliances is planned to commence shortly in order to determine a final design and hence costing estimate for approval.

LFRS currently has several vehicles provided and maintained by CLG under New Dimensions (6 Prime Movers and 2 Incident Response Units), 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. Based on the current position, we have not included these vehicles (or any potential grant) in our replacement plan.

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. In addition we have included a further ongoing provision for innovations in future fire fighting equipment after the £1m budget allocated in 2016/17 has been fully utilised by the end of 2017/18.

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Thermal Imaging Cameras (TICs)	0.220	-	-	-	-
Breathing Apparatus Radios	0.200	-	-	-	-
Breathing Apparatus (BA) and Telemetry equipment	-	0.100	0.700	-	-
Cutting and extrication equipment	-	-	0.600	-	-
Light Portable Pumps	-	-	-	-	0.130
Defibrillators	-	-	-	-	0.055
Future fire fighting	-	0.250	0.250	0.250	0.250
	0.420	0.350	1.550	0.250	0.435

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.

Buildings

The current level of backlog maintenance has reduced significantly, reflecting the investments the Authority has made in its building stock. Following completion of works budgeted during 2016/17, the Authority will only have Preston fire station classed as in poor condition. In addition, the Emergency Cover Review (ECR) planned for completion during 2017/18 may highlight the requirement to make changes to our stations, hence we have included a sum of £7.5m spread over two financial years to give scope for these changes once known.

In addition to this a further sum of £1.25m has been included in the programme to allow for investment in training assets at two specific service delivery locations and at the Training Centre in order to maximise the efficiency and consistency of staff training, in particular Retained Duty System (RDS) staff. Further work is underway to identify the exact requirement and scope for these hence this sum is an estimate, and will be refined prior to seeking member approval for any large scale projects within it.

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Buildings	3.500	4.000	-	-	-
Training assets investment	1.250	-	-	-	-
	4.750	4.000	-	-	-

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.

Of particular note are the anticipated replacements for the operational communications assets most of 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). The ESMCP has now signed the main contracts with EE and Motorola for the network and network equipment respectively. Since the signing of the contract, there has been considerable work done by the suppliers, central programme team and emergency services in the regions. However there are still some areas that need to be resolved, and therefore the original go live for the North West (the first region go-live) September 2017, has moved on 3 months to January 2018. As there are still further details to be added to the national project plan, all Services await the final programme dates, and the regional programme team will update Services as soon as they receive this updated information. (We anticipate all the costs being met by the government, as reflected in the section in funding below.) As the national situation becomes clearer, forthcoming budget revisions will be updated.

	2017/18	2018/19	2019/20	2020/21	2021/22
Replace Existing Systems	£m	£m	£m	£m	£m
Performance Management	0.100				
Geographic Information System (GIS) Risk Information	0.050				
Vehicle specification crash recovery software		0.020			
Pooled PPE system		0.080			
Rota system (Retained Duty System)		0.050			
Dynamic Mobilising Tool		0.150			
Rota system (Whole-time Duty System and officer cover)			0.050		
Hydrant Management system			0.020		
Finance system			0.250		
HR & Payroll system				0.150	
Incident Command system				0.060	
Community Fire Risk Management Information System (CFRMIS)					0.100
Asset Management system					0.100
	0.150	0.300	0.320	0.310	0.200
Operational Communications					
ESMCP (Airwave) replacement (estimated)	0.800				
Station end mobilising system	0.400				
Alerters for RDS/DCP staff	-	0.065			
Incident Ground Radios		0.180			
Vehicle Mounted Data Systems (VMDS) hardware replacement			0.400		
	1.200	0.245	0.400	-	-
Total ICT Programme	1.350	0.545	0.720	0.310	0.200

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 based on the draft capital programme this position will not change.

Capital Grant

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

Capital funding includes an assumed £0.8m capital grant relating to the Emergency Service Mobile Communication Programme (ESMCP)

To date no other capital grant funding has been made available for 2017/18, nor has any indication been given that capital grant will be available in 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 £1.5m of capital receipts following the sale of surplus site at Chorley. We do not anticipate using any of this over the life of the programme.

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 2016/17 capital programme, and allowing for the transfer of the year end underspends the Authority expects to hold £12.1m of capital reserves. Over the life of the programme we anticipate utilising £10.6m, leaving a balance of £1.5m by the end of 2021/22.

Summary Capital Receipts and Reserves position

	Capital Receipts	Capital Reserves	Total
	£m	£m	£m
Balance 31/3/17	12.1	1.5	13.6
Change in year	(2.7)	-	(2.7)
Balance 31/3/18	9.4	1.5	10.9
Change in year	(4.9)	-	(4.9)
Balance 31/3/19	4.5	1.5	6.0
Change in year	(3.3)	-	(3.3)
Balance 31/3/20	1.2	1.5	2.7
Change in year	0.3	-	0.3
Balance 31/3/21	1.5	1.5	3.0
Change in year	-	-	-
Balance 31/3/22	1.5	1.5	3.0

Revenue Contribution to Capital Outlay (RCCO)

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 revenue contribution reduces from £2.0m in 2017/18 to £1.75m for the remainder of the programme.

Drawdown of Earmarked Reserves

The programme allows for the use of £0.049m of earmarked reserves which relates to the provision of training facilities at STC, and which is linked to a donation received from a member of the public.

Drawdown of General Reserves

Previous versions of the capital programme have shown the Authority utilising all its capital reserves and receipts by the end of the 5 year period, meaning that any longer term capital requirements would need to be met from either capital grant, revenue contributions or from new borrowing. Potentially this will leave a problem in future years as the on-going revenue contribution of £1.75m is insufficient to meet the vehicle and ICT replacement programme, let alone any other capital requirements. As such it is proposed to utilise £2.6m of general reserves over the 5 year programme, resulting in the Authority still holding £3.0m of capital receipts and reserves at the end of the period, and therefore being in a stronger position to meet recurring capital requirements.

Total Capital Funding

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

	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Grant	0.800	-	-	-	-	0.800
Capital Receipts	-	-	-	-	-	-
Capital Reserves	2.730	4.951	3.334	(0.328)	(0.045)	10.642
Revenue Contributions	2.000	1.750	1.750	1.750	1.750	9.000
Earmarked Reserves	0.049	-	-	-	-	0.049
General Reserves	2.600	-	-	-	-	2.600
	8.179	6.701	5.084	1.422	1.705	23.091

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	8.179	6.701	5.084	1.422	1.705	23.091
Capital Funding	8.179	6.701	5.084	1.422	1.705	23.091
Surplus/(Shortfall)	-	-	-	-	-	-

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 in terms of both timing and costs as they are related to a national replacement project, in addition there may be grant funding available for this which is also unknown at this time;
- Buildings budgets are subject to uncertainty until the outcomes of the stock condition survey, the forthcoming Emergency Cover Review, and the review of training assets are known;
- Capital grant may be made available in future years, in order to assist service transformation and greater collaboration;
- Replacement of both the Mobile Fire Stations and Aerial Ladder Platforms are subject to a review and vehicle requirements could be amended;
- New Dimensions vehicle replacements are expected to be carried out by the Government, 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 should be considered prudent, sustainable and affordable. Although it must be recognised that future funding levels, both in terms of revenue and capital, will inevitably impact upon the achievability of the programme as identified.

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 funding settlement the position in respect of the revenue contribution appears sustainable until at least March 2020. Dependent upon future funding position the revenue contribution to capital may come under increasing pressure.

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:		