DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**DSFRA/10/2**
MEETING	**DEVON & SOMERSET FIRE & RESCUE AUTHORITY (BUDGET MEETING)**
DATE OF MEETING	**19 FEBRUARY 2010**
SUBJECT OF REPORT	**CAPITAL PROGRAMME 2010/11 – 2012/13**
LEAD OFFICER	**Director of Service Support, and Treasurer**
RECOMMENDATIONS	***That the revised Capital Programme 2010/11 to 2012/13 as set out in this report be approved***
EXECUTIVE SUMMARY	Each year the Capital Programme is reviewed in line with the Service budget preparations. This review takes account of the normal replacement cycle for appliances and equipment, actions in support of maintaining the Authorities building stock. The commitments for 2009/10 period, as approved, have been progressed. This report therefore details the adjusted three year capital programme for the period 2010/11 to 2012/13. Appendix A illustrates the existing approved 2009/10 alongside the forward 2010/11 to 2012/13 capital programme. This includes elements of the programme already approved, but additionally includes further proposals to meet ongoing fleet and equipment replacement needs and ongoing estates development and maintenance needs. A prudent approach has been taken to the proposals as fully explained within the report. The Resources Committee at its meeting on 8 February 2010 considered a version of this report and resolved to recommend that the Authority approve the capital programme 2010/11 to 2012/13 as set out within it (Minute RC/20 refers).
RESOURCE IMPLICATIONS	A full financial appraisal is contained within the report.
EQUALITY IMPACT ASSESSMENT	No potentially negative impact sufficient enough to warrant a full impact assessment has been identified in the content of this report.
APPENDICES	A. Proposed 2010/11 to 2012/13 Capital Programme.

LIST OF BACKGROUND PAPERS	Report CPWP/09/3 – “Affordable Capital Investment Plans for 2010/11 to 2011/12” – submitted to the meeting of the Capital Programme Working Party on 5 November 2009.

1. INTRODUCTION

1.1 Each year the capital programme is reviewed and adjusted to include projects that have been carried forward and to review capital investment needs over the next three year period. The capital budget for 2009/10 is £10.236m with a predicted outturn of £9.924m. This provides and underspend of some £0.312m, which is proposed to be moved to support projects in the 2010/11 year.

1.2 Appendix A represents a proposed programme 2010/11 to 2012/13, which includes the elements already approved and new proposals which are referenced later in the report.

1.3 The matter of Capital expenditure remains an issue for an Authority the size of Devon and Somerset. The Affordable Capital Investment Plans 2009/10 to 2011/12 was reported to Resources Committee which illustrated the significant capital investment needs of a large rural fire and rescue authority. The report also detailed the inequity in the calculation of revenue grant support for capital expenditure (SCE(R)) from the Authority's viewpoint on sparsity and its representations to CLG on the matter. The constraints have placed pressure on the Authorities investment programme which would require significant investment over the next three years to meet the ongoing full programme needs.

1.4 Given this position and the Authorities approval for the build of two new fire station in 2008/09 no new fire appliances were approved and the programme was effectively frozen. As a consequence the Authority has a current backlog of fire appliances against the current Service replacement policy.

1.5 The Department for Communities and Local Government (CLG) approved a grant of £2m debt free capital support spread over 2009/10 to 2010/11, principally to address equality and diversity issues on stations. In addition a further £300k was made available from earmarked reserves in 2009/10 to fund station improvements demanded by the Health and Safety Executive.

1.6 Whist this report provides options for the next three years, it should be recognised that future capital programmes may be adjusted significantly against such recommendations made as a result of the two reviews of Service Delivery and Service Support.

2. SERVICE ESTATES

2.1 Members will be aware that the two new fire stations at Exeter, Danes Castle and Middlemoor are now complete and fully operational, with both projects being built on time. Savings on the Middlemoor and SHQ projects of £0.412m and £0.018m respectively were secured. It is proposed to use these underspends against projects identified for 2010/11. The financial provisions made against the projects for 2010-2011 cover the contract retention and some minor additional works that have been requested.

2.2 The remainder of the £2m government capital grant allocated to 2010-2011 is £1,193m. Although there are no absolute constraints concerning its use, there is an assumption that facilities on station will be brought into line with equality and diversity requirements. The Service has many shortcomings in this respect and therefore the funds will be widely deployed to address some of these issues.

2.3 The projects proposed for 2010/11 concentrate on station extensions and refurbishments that incorporate our legal obligations under the Disability Discrimination Act, Dignity at Work requirements, community access and partnership co-location. Also included are major building works to improve the current building stock. This programme for 2010/11 is £2.771m, including forecast slippage from 2009/2010.

2.4 In relation to 2011/2012 and 2012/2013, at this stage only prudent allocations of £1.750m has been included for both years. This will need to be reviewed in twelve months time when setting 2011/2012 budget levels, dependent on affordability issues, and decisions from the government as to whether it will continue with the grant allocations awarded in 2009/2010 and 2010/2011.

Slippage for 2009/10

2.5 Slippage at financial year end is a regular phenomenon in major capital projects due to the inability to control certain external factors, examples of which are the planning process and conveyance transactions. In these circumstances it becomes difficult to fully complete some schemes within the financial year, as approved.

2.6 Slippage does not necessarily have a major detrimental impact on a scheme as the prudential code financial guidelines now allow for greater flexibility in roll over between financial years. Slippage on the major schemes is dealt with by re-profiling the scheme, whilst maintaining the originally approved threshold. For 2009/10 the total slippage on estates is forecast to be £0.615m.

3 SERVICE FLEET AND EQUIPMENT

Vehicle Replacements

3.1 The Authority has the second largest fleet in England and slippage with replacement schedules leads to significant problems in future years such as increased maintenance costs, less operational availability due to breakdowns that result with extended periods of maintenance downtime and difficulties in maintaining legislative and health and safety compliance. Furthermore, new vehicles are far more energy and environmentally efficient with significant ergonomic advantages, which take account of equality and diversity considerations. The decision to reduce fire appliance purchases for 2008/09 impacted on current procurement. Whilst the profile for appliance purchase for 2009/10 is within scope and at varying stages of build, the Service now has a considerable number of fire appliances replacements outstanding.

3.2 Funding of £3.2m is included in the proposed programme for 2010/2011. This will enable the funding of the appliance builds commenced in 2009/2010 and the purchase of programmed replacement appliances, whilst remaining within the agreed programmed thresholds across the two financial years.

3.3 The review of Service Delivery is considering options for lighter, more manoeuvrable fire appliances which are more cost effective to those currently being procured. The Service is currently reviewing resource requirements and the disposition of appliances and equipment in line with local risk. These vehicles are generically referred to as Light Rescue Pumps and comply with EN1864 specification standards. The current programme provides for the purchase of such appliances which are to be piloted. Given the cost incentive, it may be possible to consider for 2011/12 and beyond alternative purchases that are significantly less than the traditional appliance. If Members are minded to support such an approach in the future this would reduce the current fire appliance backlog.

3.4 The Authority approved a programme at its meeting of the 30 May 2007 for the replacement of five aerial appliances. Whilst these were profiled over three years, they have been completed in the final quarter of 2009/10. Whilst we have been able to advance spending from 2010/11, as a consequence of slippage on the 2009/2010 estates programme, this does not exceed spending across the three year period.

Equipment

3.5 The previously approved equipment replacement budget for 2010/11 and forthcoming years would better meet the Service needs by providing a balance of capital and revenue. A more appropriate level of funding for equipment would be £0.200m, the balance which will now be met from revenue. This is incorporated in the Revenue Budget paper elsewhere on this agenda. The £0.119m capital being moved to fleet replacement commencing 2010/11.

4. FINANCING OF THE PROPOSED REVISED CAPITAL PROGRAMME

4.1 The amount of capital expenditure borrowing that is supported through the Revenue Support Grant and known as Supported Capital Expenditure (SCE(R)) for 2010/11 is £1.808m. The SCE(R) is based on population (as it is for County Councils) and not on asset base as it is for Metropolitan Fire Authorities. This fails to take account of the need to provide significantly more assets in sparsely populated areas than in urban areas. This "sparsity" factor is well recognised but as yet receiving insufficient funding support from government.

4.2 Borrowing in excess of the SCE(R) is permitted through the Prudential Code and classed as unsupported borrowing. These borrowing requirements are controlled by the approval and monitoring of the prudential indicators, and through the adoption of the Authority's treasury management strategy and practices.

4.3 The report 'Affordable Capital Investment Plans 2010/2011 to 2011/2012' presented to the meeting of the Capital Programme Working Party held on the 5 November 2009, highlighted the affordability issues relating to further debt exposure. It is forecast that the external borrowing figure at the end of 2009/2010 will be £26.6m, rising to £35.4m by 2012/2013, based upon the capital programme proposed.

4.4 Whilst a debt level of £35.4m is not considered excessive for this size authority, it is evident that the authority will need to monitor its exposure to further debt levels as we move forward in the next 3-5 years, to ensure that the debt levels are affordable in the context of the ability of the revenue budget to service debt repayments.

4.5 The setting of the annual prudential indicators provides the framework for the authority to take a view as to the affordability of future capital investment. The revised prudential indicators associated with the capital programme now proposed are contained in a separate report elsewhere on the agenda for today's meeting.

4.6 In setting the capital programme for 2010/2011 to 2012/2013 the authority is very mindful of the need to exercise prudency, particularly in light of the potential reductions in public spending from 2011/2012 onwards. For this reason the overall programme for 2009/2010 to 2011/2012 has been frozen at previously agreed levels, with only a prudent allocation of £4.069m included for the year 2012/2013, as illustrated in Table 1 overleaf;

TABLE 1	Estates	Fleet and Equipment	Total
	£000	£000	£000
CURRENT PROGRAMME			
2009/2010	6,077	4,159	10,236
2010/2011	2,196	4,339	6,535
2011/2012	1,750	2,319	4,069
Total 2009/10 TO 2011/12	**10,023**	**10,817**	**20,840**
PROPOSED PROGRAMME			
2009/2010 (forecast spend)	5,032	4,892	9,924
2010/2011	3,241	3,606	6,847
2011/2012	1,750	2,319	4,069
Total 2009/10 TO 2011/12	**10.023**	**10,817**	**20,840**
2012/2013	1,750	2,319	4,069

4.7 The schedule in Appendix A illustrates the revised spending profiles for 2010/11 through to 2012/13. The estimated debt charges emanating from this revised spending profile are illustrated in Table 2 below. These figures have been included in the 2010/2011 revenue budget and Medium Term Financial Plan (MTFP).

TABLE 2 – SUMMARY OF ESTIMATED CAPITAL FINANCING COSTS

	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Base budget for Capital Financing Costs – debt charges and operating leasing rentals	4.655	4.969	5.419	5.604
Increase over previous year		0.314	0.450	0.185

5. CONCLUSION AND RECOMMENDATION

5.1 This report has built upon the report "Affordable Capital Investment Plans for 2010/11 to 2012/13" as submitted to a previous meeting of the Committee.

5.2 Both this and the previous report have emphasised the difficulties in meeting the full capital expenditure for the Service. In recognising the revenue costs associated with servicing debt through borrowing it is clearly necessary that affordable and prudent proposals are put in place.

5.3 The proposals for 2010/11 do not fully address the needs of the Service either now or in the future. With public finances set to become even more stringent in future years addressing the backlog of replacement and maintenance will become extremely difficult to address. Whilst the CLG grant has 'softened the blow', it appears unlikely that this will continue beyond the initial two year period.

5.4 As a consequence the Service will consider its asset base for the future to consider more flexible, economic and targeted resources to meet local risk requirements. Preliminary reviews are underway in this respect.

5.5 The proposed capital programme as set down in Appendix A is therefore recommended for approval.

TREVOR STRATFORD **Director of Service Support**	**KEVIN WOODWARD** **Treasurer**

APPENDIX A TO REPORT DSFRA/10/2

Proposed Capital Programme (2010/11 to 2012/13)

Previous years spend (£000)	2009/2010 predicted outturn (£000)	Item	PROJECT	2010/11 (£000)	2011/12 (£000)	2012/13 (£000)	Total project costs (Exeter major projects) (£000)
			Estate Development				
2,250	1,380	1	Exeter Middlemoor	60			3,690
1,084	1,780	2	Exeter Danes Castle	179			3,043
	71	3	SHQ major building/USAR major project (slippage 2008/09)	135			
	0	4	Major building works	0	1,000	1,000	
	1,528	5	Minor improvements & structural maintenance (including 2008/09 slippage)	2,771	750	750	
	204	6	Welfare facilities 2009/10	96			
	34	7	Diversity & equality	0			
	35	8	USAR works	0			
	5,032		**Estates Sub Total**	3,241	1,750	1,750	
			Fleet & Equipment				
	4,082	9	Appliance replacement	2,100	2,119	2,119	
	153	10	Specialist Operational Vehicles	1,100			
	115	11	CFS Vehicles	0			
	519	12	Equipment	252	200	200	
	23	13	Asset Management Plan (Miquest) software	154			
	4,892		**Fleet & Equipment Sub Total**	3,606	2,319	2,319	
	9,924		**Overall Capital Totals**	6,847	4,069	4,069	
			Programme funding				
	8,666		Main programme	5,558	4,069	4,069	
	140		Revenue funds	0	0	0	
	914		Grants	1,193	0	0	
	204		Earmarked Reserves	96	0	0	
	9,924			6,847	4,069	4,069	