DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/08/8**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**3 OCTOBER 2008**
SUBJECT OF REPORT	**CAPITAL PROGRAMME MONITORING 2008/09 to 20010/11**
LEAD OFFICER	**Head of Physical Assets**
RECOMMENDATIONS	***That the revised capital programme for 2008/2009 to 2010/2011, as set out in Appendix B of this report , be approved.***
EXECUTIVE SUMMARY	This report identifies changes to the spending profile of those individual capital schemes already approved by the authority, and presents a revised capital programme for 2008/2009 to 2010/2011, to reflect those changes. As there is no increase in the overall programme, there is no adverse impact against the authority's borrowing requirement, or prudential indicators.
FINANCIAL IMPLICATIONS	Financial details are contained within the report.
APPENDICES	A. Capital Programme 2008/09 to 2010/11 approved 15 February 2008. B. Revised Capital Programme 2008/09 to 2010/11. C. Prudential Indicators to Capital Programme
LIST OF BACKGROUND PAPERS	

1. INTRODUCTION

1.1 This report presents a revision to the original capital programme 2008/09 to 20010/11 approved by the Devon and Somerset Fire and Rescue Authority (DSFRA) at its meeting on 15 February 2008. The approved capital programme is reproduced in Appendix A. Revisions to the capital programme to take account of 2007/08 actual outturn and current status, are included in Appendix B. The prudential indicators relating to the capital programme are reproduced as Appendix C..

2. BACKGROUND

2.1 At its meeting on 15 February 2008 DSFRA approved the capital programme for 2008/09 to 2010/11. This was approved against a background of spending pressures on the capital programme resulting from the combination of a large property and fleet portfolio.

2.2 Due to overall budgetary pressures facing the authority, it was recognised that any new major capital projects would need to be put in abeyance until such time that they would become affordable in terms of revenue debt charges arising from additional borrowing. Therefore, the only changes from the previously approved capital programme in November 2007 were in terms of increases to take account of inflation. The previously approved annual programmes supporting 'building ring fenced maintenance' and 'equipment replacement' were maintained.

3. CURRENT POSITION

Estate Development

Exeter Middlemoor

3.1 The contract has been awarded and the contractor should have commenced on site by the time of this Resources Committee meeting. A turf cutting ceremony is scheduled for 15 October 2008. The scheme is due for completion by the end of 2009. A saving of around £0.5m is currently forecast for this scheme resulting from the tendering exercise and the current status within the construction industry. It is too early in the scheme to identify these as hard savings and the overall budget figures will be maintained with this contingency until the scheme is nearer completion. If at that time, the savings may be realised then it may be possible to consider where this could be applied elsewhere in the estate, given that no new schemes were approved in the current financial year, the pressures on the estate and the affordability criteria for funding of same as previously mentioned. Any such proposal would be the subject of a report to the Authority at the appropriate time.

Exeter Danes Castle

3.2 The contract has been awarded and the contractor is already on site dealing with aspects of the demolition. Delivery of the temporary station buildings should have taken place by the time of this Resources Committee meeting and they should be occupied by the end of October. The land acquired to the rear of the site has been laid with hardcore. The scheme is due for completion towards the end of 2009.

Ring Fenced Maintenance / Other Projects

3.3 Disability Discrimination Act (DDA) and Dignity at Work (DAW) projects are being progressed at Bridgwater, Camels Head, Crownhill, Williton and STC.

3.4 The first phase of the training tower programme at Torquay involving demolition of the existing tower and replacement by a steel tower is practically complete.

3.5 The extension to Shepton Mallet has been submitted for planning approval.

3.6 It is planned to replace the rear appliance bay doors at Bridgwater.

2007/08 Slippage

3.7 Most slippage projects are now either completed or in progress.

3.8 The planned new car park at SHQ is being tendered shortly.

3.9 Works at Taunton fire house and new appliance bay doors at Torquay and Barnstaple are in progress.

3.10 The new steel tower at Okehampton is complete. The replacement of Barnstaple's training building is well on the way to completion.

3.11 Disability Discrimination Act (DDA) and Dignity at Work (DAW) projects are progressing and in various stages. Newton Abbot and Totnes have been completed, Taunton is in progress, Plymstock is about to commence and Yeovil is awaiting local agreement for scheme proposals.

3.12 A new extension at Combe Martin is at the fitting out stage and is due for completion by the end of October.

3.13 Some roof work has been carried out at Camels Head, but full work on this and at Chumleigh are being delayed pending discussions around potential redevelopment opportunities.

Fleet and Equipment

Replacement Appliances

3.14 Nine pumping appliances have been ordered through the Firebuy purchasing framework agreement. Deliveries are scheduled for March - April 2009, but due to the pre order of one chassis, this vehicle should be available two months earlier.

3.15 The approved capital programme estimates allowed for three replacement and two refurbished aerial appliances. The tendering process through Firebuy is under way with responses to the mini competition received. The initial evaluations are complete and the short listed suppliers selected. This work has been taking place with representatives from Cornwall FRS as the procurement exercise is being carried out in common in order that compatible appliances may be procured by each service thereby improving interoperability. It is still the preferred route to obtain all new vehicles within the allocated budget, rather than to have two of the appliances refurbished, but the drop in the exchange rate for the euro is making this increasingly challenging.

3.16 Delivery of these appliances will be in 2010, but international conditions prevent precise dates being available at this time.

Specialist Operational Vehicles

3.17 A range of specialist vehicles as originally proposed is being progressed, but due to their bespoke specification and procurement delays, some will not be delivered in the current financial year.

- Special Rescue appliance – The specification is complete and the procurement process due to commence.
- Tele-hoist load handler and POD unit – The specification is almost complete and the procurement process will take place this year.
- Community Safety information / education Unit – The user output based specification is complete with the technical specification outstanding.
- Fire-ground feeding Unit - The user output based specification is available with the technical specification in progress.

Equipment

3.18 This programme is intended for the ongoing replacement of vital operational equipment in order to maintain currency, legislative and health and safety obligations. Discussions concerning requirements have taken pace with the first draft list produced. The equipment should all be ordered in the current financial year.

BA cylinder replacement

3.19 The cylinders have all been ordered with delivery expected in 4-6 weeks.

2007/08 Slippage

3.20 The ground hog programme for moorland fire-fighting has now seen the delivery of the appliances and pumps and only the transporters are outstanding. These have been tendered, but the final outcome is awaited. The asset tracking system, MIQUEST, has been slower to implement, partly due to supplier delays and implementation will continue into 2009/10.

4. PROGRAMME REVISION AND IMPACT ON CAPITAL FINANCING COSTS

4.1 Following from publication of the 2007/08 financial outturn position in the DSFRA report dated 28 May 2008, the capital programme has been revised to take account of actual capital spend for 2007/08 rather than the previously estimated spend. Moreover, projects are further advanced and a more accurate forecast of current year spend is also included. The revised programme is illustrated in Appendix B.

4.2 **It should be noted that these revisions do not affect the individual scheme budgets, which remain as originally approved.** Two previously approved exceptions are, the USAR project, which is funded almost entirely from government grant and it has been decided to apply a further £105,000 grant funds to this project to carry out additional work on the facility, and the replacement BA cylinders, which is to be funded from revenue, as approved at the previous meeting of the Resources Committee, held on the 21 July 2008. The table in Appendix B therefore merely represents a re-scheduling of the schemes originally approved in the Appendix A table and not an increase in the programme.

Impact on Capital Financing Costs

4.3 As debt charges are dependent on the time that borrowing is incurred, there are some changes in this respect. With more slippage from 2007/08 than anticipated, and the changes highlighted in this report, the debt charges incurred in 2008/09 will be less than previously estimated. Table 1 below indicates the changes to debt charges for the years 2008/2009 to 2010/2011 emanating from these changes.

TABLE 1- SUMMARY OF ESTIMATED CAPITAL FINANCING COSTS			
	2008/09	**2009/10**	**2010/11**
	£000	**£000**	**£000**
Base Budget for Debt Charges and Leasing Costs for existing programme (as per Appendix A)	4,413	4,973	5,257
Revised requirement to fund proposed Capital Programme (as per Appendix B)	4,167	4,762	5,257
Variation from Base Budget	(246)	(211)	-

4.4 As scheme totals remain unchanged and borrowing is less this year, the programme remains comfortably contained within the approved prudential indicators, which have been set by the Authority to provide assurance that capital spending plans are prudent, sustainable and affordable. Appendix C provides a summary of the impact of this revised capital programme against the approved set of prudential indicators.

5. CONCLUSION

5.1 Financial spend in accordance with budget is on target throughout and it is not anticipated that there will be any overruns following project completions.

5.3 The Authority was not able to introduce any major new projects into the capital programme due to budgetary constraints in 2008/09, but there remain significant pressures for spend due to the size of the estate and fleet. The previous Resources Committee report in July illustrated that the CLG was considering a significant fully funded national capital grant contribution for the next two financial years. We are still awaiting the results of the consultation relating to this initiative and how much grant DSFRA may receive. The funds are particularly targeted towards station facility upgrades to meet diversity and equality as well as welfare needs. DSFRA has a significant outstanding programme of work in these areas.

DEREK WENSLEY
Head of Physical Assets

APPENDIX A TO REPORT RC/08/8

Capital Programme (2008/09 - 2010/11)

PREV YEARS (£000)	2007/08 (£000)	PROJECT	2008/09 (£000)	2009/10 (£000)	2010/11 (£000)	Project Total incl. prev years (£000)
		Estate Development				
52	581	Exeter Middlemoor	2,026	1,361	82	4,102
	72	Exeter Danes Castle	1,146	1,738	87	3,043
	1,395	SHQ building	73			1,468
	1,205	USAR Project	20			1,225
		Maintenance ring fenced	714	714	714	2,142
		2007/08 slippage	526			526
		Estates 2008 - 2010 Sub Total	**4,505**	**3,813**	**883**	
		Fleet & Equipment	**-**			
	836	Appliance replacement	2,524	350		3,710
	127	Specialist Operational Vehicles	441			568
		Equipment	309	309	309	927
	150	Asset Management Plan (Miquest) software	75			225
		2007/08 slippage	245			245
		Fleet & Equipment 2008 - 2010 Sub Total	**3,594**	**659**	**309**	
		Overall Capital 2008 - 2010 Totals	**8,099**	**4,472**	**1,192**	

NOTE: The first two columns are for information only and illustrate previous years' spending on major estates schemes, in order to provide the complete costs of those schemes.

Revised Capital Programme (2008/09 - 2010/11)

PREV YEARS (£000)	2007/08 (£000)	PROJECT	2008/09 (£000)	2009/10 (£000)	2010/11 (£000)	Project Total incl. prev years (£000)
		Estate Development				
52	609	Exeter Middlemoor	1,450	1,841	150	4,102
	61	Exeter Danes Castle	864	2,015	103	3,043
	1,019	SHQ building	449			1,468
	1,310	USAR Project	20			1,330
		Maintenance ring fenced	714	714	714	2,142
		2007/08 slippage	525			525
		2006/07 slippage	99			99
		Estates 2008 - 2010 Sub Total	**4,121**	**4,570**	**967**	
		Fleet & Equipment	-			
		Appliance replacement	1,760	1,950		3,710
		Specialist Operational Vehicles	200	368		568
		Equipment	309	309	309	927
		BA cylinder replacement	170			170
	26	Asset Management Plan (Miquest) software	100	99		225
		2007/08 slippage	234			234
		2006/07 slippage	166			166
		Fleet & Equipment 2008 - 2010 Sub Total	**2,939**	**2,726**	**309**	
		Overall Capital 2008 - 2010 Totals	**7,060**	**7,296**	**1,276**	

NOTE: The first two columns are for information only and illustrate previous years' spending on major estates schemes, in order to provide the complete costs of those schemes.

IMPACT OF REVISED CAPITAL PROGRAMME AGAINST APPROVED PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR

	2008/09 £000	2009/10 £000	2010/11 £000
1) Capital Expenditure			
Approved	8,099	4,472	1,192
Revised forecast	7,060	7,296	1,276
Variance from approved Indicator	(1,039)	2,824	84

Explanatory Note

Whilst the approval of the revised programme increases the capital expenditure over the three year period by £1.869m, it should be emphasised that the only real increase in the programme relates to the additional £0.170m required to fund the replacement BA cylinders, which does not increase the borrowing requirement as it is proposed that this spending is funded direct from revenue. The remaining increase of £1.699m merely reflects the amount of slippage from the 2007/2008 capital programme, and therefore does represent the need for additional borrowing.

	2008/09 £000	2009/10 £000	2010/11 £000
2) Capital Financing Requirement (CFR)			
Approved	25,813	28,581	27,923
Revised forecast	22,842	28,581	27,923
Variance from approved Indicator	(2,971)	-	-

Explanatory Note

The CFR reflects the underlying need to borrow for capital purposes. As a consequence of slippage in capital spending in 2007/2008 and 2008/2009 the need to borrow has also slipped accordingly. For instance, the need to borrow to fund capital spending in 2008/2009 has reduced by £2.971m.

Actual external debt as at 30th September 2008 is £18,723,444. If by the end of the financial year the authority were to borrow to fund the whole of the 2008/2009 capital programme, the borrowing would increase to £23,113,444. This would be well within the authorised limit and operational boundary of £29.214m and £27.923m respectively, and therefore neither of the authority borrowing limits would be breached

	2008/09 £000	2009/10 £000	2010/11 £000
3) Ratio of Financing Cost to Net Revenue Stream			
Approved	2.72%	3.66%	3.96%
Revised forecast	2.48%	3.24%	3.73%
Variance from approved Indicator	(0.24)	(0.42)	(0.23)

Explanatory Note

This ratio aims to show the percentage of revenue resources which are applied to financing debt. As a consequence of the slippage in the need to borrow, these ratios have reduced from the original estimates. It should be noted that that this ratio is relatively low, when compared to other local authorities, including metropolitan fire authorities, due to the fact that combined FRAs, such as DSFRA, were only established in 1998, and have therefore been borrowing for a ten year period. This ratio will inevitably increase over time as new borrowing is secured to fund future capital spending requirements.