

**M. Pearson
CLERK TO THE AUTHORITY**

**To: The Chair and Members of the
Resources Committee
(see below)**

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RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

Friday 3 October 2008

A meeting of the Resources Committee will be held on the above date, **commencing at 10:00 hours in Conference Room A in Somerset House, Service Headquarters** to consider the following matters.

M. Pearson
Clerk to the Authority

AGENDA

1. **Apologies**
2. **Minutes** of the meeting held on 21 July 2008 attached (Page 1).
3. **Items Requiring Urgent Attention**

Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

4. **Declarations of Interest**

Members are asked to consider whether they have any **personal/personal and prejudicial interests** in items as set out on the agenda for this meeting and declare any such interests at this time. *Please refer to the Note 2 at the end of this agenda for guidance on interests.*

PART 1 – OPEN COMMITTEE

5. **Revenue Budget Monitoring Report 2008/09**

Report of the Treasurer and Head of Financial Management (RC/08/7) attached (page 4)

6. **Capital Programme Monitoring Report 2008/09 To 2010/11**

Report of the Head of Physical Assets (RC/08/8) attached (page 10)

PART 2 – ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PRESS AND PUBLIC

Nil

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Gordon (Chair), Yeomans (Vice Chair), Fry, Healey, B. Hughes, Lewis, Way

Substitute Members

Members are reminded that, in accordance with Standing Order 30, the Clerk (or his representative) MUST be advised of any substitution prior to the start of the meeting.

NOTES

1. ACCESS TO INFORMATION

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Sam Sharman on the telephone number shown at the top of this agenda.

2. DECLARATIONS OF INTERESTS BY MEMBERS

What Interests do I need to declare in a meeting?

As a first step you need to declare any personal interests you have in a matter. You will then need to decide if you have a prejudicial interest in a matter.

What is a personal interest?

You have a personal interest in a matter if it relates to any interests which you must register, as defined in Paragraph 8(1) of the Code.

You also have a personal interest in any matter likely to affect the well-being or financial position of:-

- (a) you, members of your family, or people with whom you have a close association;
- (b) any person/body who employs/has employed the persons referred to in (a) above, or any firm in which they are a partner or company of which they are a director;
- (c) any person/body in whom the persons referred to in (a) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of which you are a Member or in a position of general control or management and which:-
 - you have been appointed or nominated to by the Authority; or
 - exercises functions of a public nature (e.g. a constituent authority; a Police Authority); or
 - is directed to charitable purposes; or
 - one of the principal purposes includes the influence of public opinion or policy (including any political party or trade union)

more than it would affect **the majority** of other people in the Authority's area.

Anything that could affect the quality of your life (or that of those persons/bodies listed in (b) to (d) above) either positively or negatively, is likely to affect your/their "well being". If you (or any of those persons/bodies listed in (b) to (d) above) have the potential to gain or lose from a matter under consideration – to a **greater extent** than **the majority** of other people in the Authority's area - you should declare a personal interest.

What do I need to do if I have a personal interest in a matter?

Where you are aware of, **or ought reasonably to be aware of**, a personal interest in a matter you must declare it when you get to the item headed "Declarations of Interest" on the agenda, or otherwise as soon as the personal interest becomes apparent to you, **UNLESS** the matter relates to or is likely to affect:-

- (a) any other body to which you were appointed or nominated by the Authority; or
- (b) any other body exercising functions of a public nature (e.g. membership of a constituent authority; other Authority such as a Police Authority);

of which you are a Member or in a position of general control or management. In such cases, provided you do not have a prejudicial interest, you need only declare your personal interest if and when you speak on the matter.

Can I stay in a meeting if I have a personal interest?

You can still take part in the meeting and vote on the matter unless your personal interest is also a prejudicial interest.

What is a prejudicial interest?

Your personal interest will also be a **prejudicial** interest if **all** of the following conditions are met:-

- (a) the matter is not covered by one of the following exemptions to prejudicial interests in relation to the following functions of the Authority:-
 - statutory sick pay (if you are receiving or entitled to this);
 - an allowance, payment or indemnity for members;
 - any ceremonial honour given to members;

- setting council tax or a precept; **AND**
- (b) the matter affects your financial position (or that of any of the persons/bodies as described in Paragraph 8 of the Code) or concerns a regulatory/licensing matter relating to you or any of the persons/bodies as described in Paragraph 8 of the Code); **AND**
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest is so significant that it is likely to prejudice your judgement of the public interest.

What do I need to do if I have a prejudicial interest?

If you have a prejudicial interest in a matter being discussed at a meeting, you must declare that you have a prejudicial interest (and the nature of that interest) as soon as it becomes apparent to you. You should then leave the room unless members of the public are allowed to make representations, give evidence or answer questions about the matter by statutory right or otherwise. If that is the case, you can also attend the meeting for that purpose.

You must, however, leave the room **immediately after you have finished speaking (or sooner if the meeting so decides)** and you cannot remain in the public gallery to observe the vote on the matter. Additionally, you must not seek to **improperly influence** a decision in which you have a prejudicial interest.

What do I do if I require further guidance or clarification on declarations of interest?

If you feel you may have an interest in a matter that will need to be declared but require further guidance on this, please contact the Clerk to the Authority – preferably before the date of the meeting at which you may need to declare the interest. Similarly, please contact the Clerk if you require guidance/advice on any other aspect of the Code of Conduct.

RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

21 July 2008

Present:-

Councillors Fry, Gordon, Healey, B Hughes and Yeomans.

Apologies:-

Apologies for non-attendance were received from Councillors Lewis and Way.

***RC/1. Election of Chair**

RESOLVED that Councillor Gordon be appointed Chairman of the Committee until its first meeting after the Annual Meeting of the Authority in 2009.

***RC/2. Minutes**

RESOLVED that the Minutes of the meeting held on 14 May 2008 be approved and signed by the Chairman.

***RC/3. Declarations of Interest**

Members of the Committee were invited to declare any personal or personal and prejudicial interests they may have in any item(s) to be considered at the current meeting in accordance with the Authority's approved Code of Conduct.

***RC/4. Election of Vice Chair**

RESOLVED that Councillor Yeomans be appointed Vice Chair of the Committee until its first meeting after the Annual Meeting of the Authority in 2009.

***RC/5. Revenue Budget Monitoring Report 2008/09**

The Committee considered a report of the Treasurer and Head of Financial Management (RC/08/5) that set out projections of income and expenditure for the first three months of the financial year against the approved Revenue Budget for 2008/09 and which detailed any significant variations against individual budget lines. An underspend of £727,000 was projected, equivalent to 1.03% of budget, attributable largely to the savings arising on Wholetime pay costs as a result of staff vacancies (£627,000), together with retained pay costs (£198,000) and non-uniformed pay (£93,000).

The Treasurer emphasised that, whilst this was a good start to the financial year, the figures were based on the first three months and may be subject to variation as a result of changing circumstances such as on retained firefighter pay costs. He added that the Authority had already undertaken a reduction in posts to meet the move to dual crewing of aerial appliances but despite this, there had been a number of vacancies remaining within the service as a result of retirements and natural wastage. A recruitment strategy was to be formulated to bridge the gaps on staff vacancies and it was noted that 5 firefighters were to join the service on transfer shortly with 2 new recruits to follow on the September course.

The report (paragraph 6.1) outlined three areas of spending pressure for the Authority which it was proposed be funded from the underspend at this stage.

RESOLVED

- (a) That in compliance with Financial Regulations, which requires that any proposed budget virement in excess of £50,000, be approved by the Resources Committee, approval be granted to the proposed budget virements outlined in paragraph 6.1 of report RC/08/5.
- (b) That, subject to (a) above, the budget monitoring position as outlined in this report be noted.

***RC/6. Capital Programme Monitoring 2007/08 to 2009/10**

The Committee considered a report of the Head of Physical Assets (RC/08/6) setting out the monitoring position for the revised Capital Programme 2008/09 to 2010/11.

The Treasurer reported that a Capital Programme for 2008/09 of £8.368million was proposed now in view of slippage on the spending profile although it was noted that there would not be any additional borrowing requirement as a result. Councillor B Hughes referred to the contracts for major building programmes and commented that he felt that there should be some involvement of Members in this process. The Chief Fire Officer replied that this was a technical process that was carried out by officers with the appropriate skills normally. He undertook to investigate whether there was any involvement of Members in other local authorities in the contract process and to bring back a report to the Committee in due course.

RESOLVED

- (a) That the Breathing Apparatus (BA) cylinder replacement programme, introduced into the capital programme, but fully funded from revenue savings from debt charges, as outlined in paragraph 3.19 of this report, be approved.
- (b) That the remainder of the report be noted.

***RC/7. Draft Response to Circular FRS/25/2008 – Consultation on the Distribution of Fire Capital Grant**

The Committee considered a draft response to Fire and Rescue Service Circular 25/2008 that set out proposals in relation to the basis for the distribution of fire capital grant for 2009/10 and 2010/11 as prepared by the Treasurer in consultation with the Head of Physical Assets. The response was due to be submitted to Communities and Local Government (CLG) by 25 July 2008.

The Treasurer reported that, of the three options set out in the consultation document, the preferred option for CLG was Option C. This would give each Authority £0.5million plus an amount based on the population of the area, giving Devon and Somerset a grant of just over £2 million in total. The Authority's preferred choice was Option B as this was based largely on the number of fire stations in the area, giving Devon and Somerset a grant allocation of £3.5million. Whilst the Committee welcomed the allocation of additional capital grant funding from CLG, the proposed response emphasised that the basis for distribution should be linked to the need to spend on capital assets and not on the population of the area and therefore Option B was the preferred choice.

RESOLVED that the draft response to Fire and Rescue Service Circular 25/2008 in respect of the proposals in relation to the basis for the distribution of fire capital grant for 2009/10 and 2010/11 be approved for submission to CLG by 25 July 2008.

***RC/8. National Pay and Conditions Negotiations**

The Chief Fire Officer reported upon the position in respect of the national pay and conditions negotiations that were conducted through the National Joint Council (NJC) with representation from both Employers' and Staff. He stated that the Government had set a public sector pay policy for increases of no more than 2% in 2008/09 yet the national pay award for the fire service had been agreed at 2.45%. In view of the pay bill for the Authority, this had a significant effect on the budget and he suggested that a letter should be sent to the Employers' secretariat to state that pay increases should be affordable and against the backdrop of recent budget increases for fire authorities, some of which had only been given a 1% increase in revenue grant settlement. It was suggested that a discussion be held with the Joint Secretary on the Employers' side of the NJC to raise these issues.

Councillor B Hughes referred to discussions on this matter that had been held through the Local Government Association's (LGA) Fire Forum on a number of occasions. He commented that the Fire Authorities were associate members of the LGA and as such did not have voting rights so could not influence the decisions taken. He suggested that a letter be sent to the Chief Executive of the LGA to enquire as to the costs of attaining voting rights and increased status for fire authorities in the first instance.

RESOLVED

- (a) that the Chief Fire Officer initiates a discussion with the Joint Secretary on the Employers' side of the NJC to raise these issues;
and
- (b) that a letter be sent to the Chief Executive of the LGA seeking information on the costs of attaining voting rights and increased status for fire authorities in the first instance.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The meeting started at 10.00hours and finished at 11.40hours.



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

| | |
|----------------------------------|---|
| REPORT REFERENCE NO. | RC/08/7 |
| MEETING | RESOURCES COMMITTEE |
| DATE OF MEETING | 3 OCTOBER 2008 |
| SUBJECT OF REPORT | REVENUE BUDGET MONITORING REPORT 2008/2009 |
| LEAD OFFICER | Treasurer and Head of Financial Management |
| RECOMMENDATIONS | <p>(a) That the budget monitoring position as outlined in this report be noted;</p> <p>(b) That given the underspend position against the current year budget, it be recommended to the next meeting of the Fire and Rescue Authority, that the contribution of £0.153m from the General Reserve, originally approved at the budget meeting as part of the process of setting a balanced budget for 2008/2009, is no longer made.</p> <p>(c) That in compliance with Financial Regulations, which requires that any proposed budget virement in excess of £50,000, be approved by the Resources Committee, approval be granted to the proposed budget virement outlined in paragraph 8.1 of this report;</p> |
| EXECUTIVE SUMMARY | <p>This report provides Members with a further revenue budget monitoring report for the current financial year. It provides projections of spending against individual budget lines and explanations of any significant variations.</p> <p>At this stage, projections indicate that spending will be £0.703m less than the approved revenue budget, equivalent to 0.99%. A summary of the main reasons for this underspend position are provided within the report.</p> |
| FINANCIAL IMPLICATIONS | As indicated in the report. |
| APPENDICES | Appendix A – Revenue Budget Monitoring Report. |
| LIST OF BACKGROUND PAPERS | Nil. |

1. INTRODUCTION

- 1.1 This report provides Members with an update of projected spending against the 2008/2009 revenue budget. Monitoring of income and expenditure for the first five months of the financial year, to the end of August 2008, would indicate that total revenue spending will be £69.599m, against an approved budget of £70.302m, resulting in an underspend position of £0.703m, equivalent to 0.99% of budget. This compares to the previous projection of an underspend of £0.727m, as reported to the last meeting of the Resources Committee, held on the 21 July 2008. This latest projection is based upon spending to date, historical trends, and information from budget managers on known commitments. It should be noted that whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to significant change during the year, such as retained pay costs, and it is inevitable therefore that final spending figures for the financial year will differ from those projected in this report. It is important therefore that regular reports are brought to this Committee during the course of the financial year to highlight those changes and consider any management action where significant variations are identified.
- 1.2 As was reported to the last meeting, the main reason for such an underspend position is as a consequence of a higher level of uniformed retirements than had been anticipated, resulting in one-off savings against pay costs. Savings against retained pay costs from reduced activity, and debt charges from slippage in the capital programme had also been highlighted.
- 1.3 Appendix A to this report provides a subjective analysis of projected spending against each individual budget line, and more detailed explanations of the significant variations (in excess of £50,000) from budget are provided below: -

2. EMPLOYEE COSTS

Wholetime Pay

- 2.1 At this time it is projected that spending against wholetime pay costs will be £0.699m less than budget, or just 2.15% of the wholetime pay budget, primarily as a consequence of vacancies across the Service. As was reported to the last meeting of the Human Resources Management and Development Committee, held on the 12 September 2008, the Service is currently well below the full establishment, albeit that most of this has been planned in order to facilitate the introduction of dual crewing of the Aerial appliances and also for the reduction in Area Managers. In addition, the number of vacancies has increased as a consequence of a higher than expected number of retirements during the first half of the financial year.

Retained Pay Costs

- 2.2 At this stage retained pay costs are projected to be £0.172m less than budget, primarily as a consequence of fewer calls than had been anticipated. In addition, the number of retained firefighters opting to join the new Firefighter Pension Scheme is less than had been anticipated resulting in reduced employer's pension contributions. It should be emphasised that by its very nature retained pay costs can be subject to significant variations, dependant on activity levels during the course of the year, e.g. volatility caused from spate weather conditions.

Non-Uniformed Pay

- 2.3 As a consequence of a relatively high number of non-uniform vacancies across the Service in the early part of the financial year, it is projected that one-off savings of £0.089m will be achieved against this budget line. The final figure will be dependent on the speed at which these posts can be filled during the course of the year. This projection also includes assumptions in relation to the outcome of the pay settlement for non-uniformed staff, effective from April 2008, and the financial impact from the outcome of the Job Evaluation process, which is yet to be finalised.

Training Expenses

- 2.4 At this stage, it is anticipated that spending against the training budget will be £0.148m less than budget, primarily as a consequence of further economies of scale in training delivery being achieved from combination, and the impact on training requirements from the relatively high level of vacancies across the organisation.

Fire Service Pensions

- 2.5 Based upon current information it is anticipated that there will be fewer ill-health retirements in the current financial than had been budgeted for, resulting in savings against pension costs of £0.078m.

3. TRANSPORT RELATED COSTS

- 3.1 At this time, it is estimated that spending on overall transport costs will be £0.218m more than budget, primarily as a consequence of the significant increases in fuel costs over and above budget provision, and increases in insurance premiums.

4. SUPPLIES AND SERVICES

Equipment and Furniture

- 4.1 Whilst spending on equipment and furniture is projected to be £0.089m more than budget, the additional spending, in the main, relates to training equipment and consumables required to cover additional courses scheduled for the year, which is more than offset by additional training income generated from external organisations.

5. ESTABLISHMENT COSTS

Insurances

- 5.1 Members will be aware of the decision by the mutual insurance company, FRAML, to suspend trading in light of a recent legal judgement, as reported to the meeting of Devon and Somerset Fire and Rescue Authority held on the 31 July 2008. As a consequence of that decision it is projected that non-fleet insurance costs will be £0.080m more than had been budgeted. This includes, not only the additional premium cost from the alternative insurance provider, but also a prudent assumption relating to premiums which are due to be refunded by FRAML, which may not be received in the current financial year.

6. CAPITAL FINANCING COSTS

Capital Charges

- 6.1 Elsewhere on the agenda is a report from the Head of Physical Assets relating to spending against the approved capital programme. That report identifies that as a consequence of slippage in capital spending; there will be savings against the debt charges budget. For 2008/2009, this revised assessment indicates that debt charges for 2008/2009 will be £0.246m less than that budgeted.

Revenue Contribution to Capital Spending

- 6.2 Given the savings on debt charges highlighted in paragraph 6.1, it was agreed at the last meeting of Resources Committee, that an amount of £0.170m be utilised to fund the urgent purchase of replacement Breathing Apparatus cylinders, therefore avoiding the need to borrow for this spending.

7. INCOME

Treasury Management Investment Income

- 7.1 At this stage it is anticipated that income achieved from the investment of surplus working balances will be £0.079m less than budgeted. This is as a consequence of a higher number of uniformed officers retiring than had been expected, resulting in the earlier payment of pension commutation payments. Whilst the cost of the commutation payments will ultimately be funded by the CLG, under the new pension funding arrangements, reimbursement for this cost will not be received until July 2009, resulting in less working balances available for investment during the year. The reduction in investment income is more than offset by resultant savings on whole-time pay costs from reduced employer pension contributions.

Other Income

- 7.2 As a consequence of securing additional contracts to deliver recruit training for other Fire Services, additional training income will be achieved over and above that budgeted. At this stage it is estimated that additional total income of £0.115m will be achieved.

Contribution from Reserves

- 7.3 Members may recall as part of the budget setting process for 2008/2009, that it was agreed that an amount of £0.153m be transferred from the balance in the General Reserve, in order that a balanced budget could be set. Given that projections are now indicating an underspend position for 2008/2009, this contribution is no longer required and it is my recommendation therefore that this contribution is no longer made. As Financial Regulations requires that any budget virement in excess of £0.150m is approved by the full Fire and Rescue Authority, this recommendation will be referred to the next meeting of the Devon and Somerset Fire and Rescue Authority, to be held on the 23 October 2008. The impact of this recommendation is reflected in Appendix A

8. **BUDGET VIREMENTS**

- 8.1 Table 1 below shows details of an additional spending pressure identified by a budget holder as requiring funding in the current year, which had not been included in the approved budget. It is proposed that this spending be approved to be funded from savings on wholetime pay costs. Financial Regulations require that any proposed virement from a subjective budget line that is in excess of £50,000 requires the approval of the Resources Committee (Regulations A20 and A21 refers). The budget figures in Appendix A include the impact of this virement.

TABLE 1 – VIREMENTS IN EXCESS OF £50,000

| Budget Line | From £ | To £ | Reason |
|---|-------------------|-----------------|---|
| Wholetime Pay Costs Equipment and Furniture | (60,000) | 60,000 | To accelerate the purchase of Technical Rescue equipment and Personal Protective Equipment required to enhance Technical Rescue capability, incorporating both Water Rescue and Rope Rescue. Funding has been provided for this purchase to be made over a three-year period; therefore approval to procure in this financial year will enable budgets for the next two financial years to be reduced by £30,000 each year. |

9. **SUMMARY AND RECOMMENDATIONS**

- 9.1 Whilst it is still relatively early in the financial year, and projections of spending will inevitably change during the course of the financial year, at this time spending against the revenue budget is anticipated to be well within the approved budget. Given this position, it is my recommendation that the transfer of £0.153m from the General Reserve, originally agreed by the authority as a contribution to the 2008/2009 budget, is no longer made. Further budget monitoring reports will be presented to each meeting of the Resources Committee held during the financial year, to provide an update to this position together with officer recommendations as to how any variances from budget are to be managed.

KEVIN WOODWARD
Treasurer and Head of Financial Management

APPENDIX A TO REPORT RC/08/7

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2008/09

| Line No | | 2008/09 Budget £000 (1) | Year To Date Budget £000 (2) | Spending to Month 5 £000 (3) | Projected Outturn £000 (4) | Projected Variance over/(under) £000 (5) |
|---------|--|-------------------------------|------------------------------------|------------------------------------|----------------------------------|--|
| | SPENDING | | | | | |
| | EMPLOYEE COSTS | | | | | |
| 1 | Wholetime uniform staff | 32,501 | 13,362 | 13,058 | 31,802 | -699 |
| 2 | Retained firefighters | 12,374 | 4,692 | 4,237 | 12,202 | -172 |
| 3 | Control room staff | 1,827 | 746 | 764 | 1,870 | 43 |
| 4 | Non uniformed staff | 7,691 | 3,192 | 2,850 | 7,602 | -89 |
| 5 | Training expenses | 1,192 | 497 | 588 | 1,044 | -148 |
| 6 | Fire Service Pensions recharge | 1,797 | 899 | 919 | 1,719 | -78 |
| | | 57,382 | 23,388 | 22,416 | 56,239 | -1,143 |
| | PREMISES RELATED COSTS | | | | | |
| 7 | Repair and maintenance | 874 | 364 | 355 | 891 | 17 |
| 8 | Energy costs | 470 | 195 | 121 | 490 | 20 |
| 9 | Cleaning costs | 383 | 160 | 48 | 395 | 12 |
| 10 | Rent and rates | 1,248 | 572 | 581 | 1,249 | 1 |
| | | 2,975 | 1,291 | 1,105 | 3,025 | 50 |
| | TRANSPORT RELATED COSTS | | | | | |
| 11 | Repair and maintenance | 511 | 213 | 168 | 523 | 12 |
| 12 | Running costs and insurances | 1,127 | 424 | 503 | 1,237 | 110 |
| 13 | Travel and subsistence | 1,000 | 352 | 402 | 1,096 | 96 |
| | | 2,638 | 989 | 1,073 | 2,856 | 218 |
| | SUPPLIES AND SERVICES | | | | | |
| 14 | Equipment and furniture | 1,847 | 745 | 698 | 1,936 | 89 |
| 15 | Hydrants-installation and maintenance | 151 | 63 | 24 | 120 | -31 |
| 16 | Communications | 1,202 | 562 | 551 | 1,202 | 0 |
| 17 | Uniforms | 764 | 318 | 293 | 754 | -10 |
| 18 | Catering | 118 | 49 | 68 | 144 | 26 |
| 19 | External Fees and Services | 98 | 27 | 6 | 98 | 0 |
| 20 | Partnerships & regional collaborative projects | 159 | 66 | 38 | 159 | 0 |
| | | 4,339 | 1,830 | 1,678 | 4,413 | 74 |
| | ESTABLISHMENT COSTS | | | | | |
| 21 | Printing, stationery and office expenses | 409 | 187 | 164 | 401 | -8 |
| 22 | Advertising | 60 | 25 | 24 | 60 | 0 |
| 23 | Insurances | 321 | 160 | 312 | 401 | 80 |
| | | 790 | 372 | 500 | 862 | 72 |
| | PAYMENTS TO OTHER AUTHORITIES | | | | | |
| 24 | Support service contracts | 623 | 212 | 197 | 608 | -15 |
| | | 623 | 212 | 197 | 608 | -15 |
| | CAPITAL FINANCING COSTS | | | | | |
| 25 | Capital charges | 4,413 | 107 | 544 | 4,167 | -246 |
| 26 | Revenue Contribution to Capital spending | 0 | 0 | 0 | 170 | 170 |
| | | 4,413 | 107 | 544 | 4,337 | -76 |
| 27 | TOTAL SPENDING | 73,160 | 28,189 | 27,513 | 72,340 | -820 |
| | INCOME | | | | | |
| 28 | Treasury management investment income | -352 | -147 | -121 | -273 | 79 |
| 29 | Grants and Reimbursements | -1,335 | -359 | -1,134 | -1,335 | 0 |
| 30 | Other income | -965 | -402 | -526 | -1,080 | -115 |
| 31 | Internal Recharges | -53 | -22 | -13 | -53 | 0 |
| 32 | Contribution from Reserves | -153 | -51 | 0 | 0 | 153 |
| 33 | TOTAL INCOME | -2,858 | -981 | -1,794 | -2,741 | 117 |
| 34 | NET SPENDING | 70,302 | 27,208 | 25,719 | 69,599 | -703 |

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 2010/11 |
| LEAD OFFICER | Head of Physical Assets |
| RECOMMENDATIONS | <i>That the revised capital programme for 2008/2009 to 2010/2011, as set out in Appendix B of this report , be approved.</i> |
| EXECUTIVE SUMMARY | <p>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.</p> <p>As there is no increase in the overall programme, there is no adverse impact against the authority's borrowing requirement, or prudential indicators.</p> |
| FINANCIAL IMPLICATIONS | Financial details are contained within the report. |
| APPENDICES | <p>A. Capital Programme 2008/09 to 2010/11 approved 15 February 2008.</p> <p>B. Revised Capital Programme 2008/09 to 2010/11.</p> <p>C. Prudential Indicators to Capital Programme</p> |
| LIST OF BACKGROUND PAPERS | |

1. INTRODUCTION

- 1.1 This report presents a revision to the original capital programme 2008/09 to 2010/11 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) |
|-------------------|----------------|--|----------------|----------------|----------------|---------------------------------------|
| | | | | | | |
| | | <u>Estate Development</u> | | | | |
| 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 | |
| | | | | | | |
| | | <u>Fleet & Equipment</u> | | | | |
| | 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.

APPENDIX B TO REPORT RC/08/8

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) |
|-------------------|----------------|--|----------------|----------------|----------------|---------------------------------------|
| | | | | | | |
| | | <u>Estate Development</u> | | | | |
| 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 | |
| | | | | | | |
| | | <u>Fleet & Equipment</u> | - | | | |
| | | 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 (Miquet) 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 not 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.