



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	RC/11/6
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	18 MAY 2011
SUBJECT OF REPORT	CAPITAL PROGRAMME 2011-12 TO 2013-14
LEAD OFFICER	DIRECTOR OF SERVICE SUPPORT AND TREASURER
RECOMMENDATIONS	<i>That the Authority be recommended to approve the revised capital programme for 2011-12 to 2013-14 as set out in Appendix B to this report.</i>
EXECUTIVE SUMMARY	<p>At its budget meeting on 14 February 2011 the Authority received a copy of report DSFRA/11/1, "Capital Programme – 2011-12 to 2013-14". This report detailed the options for managing the estates programme over the next year, suspending the fleet replacement programme and reducing borrowing to maintain the prudential indicator below the 5% threshold. At the same time that the report was produced, however, the Department for Communities and Local Government (CLG) announced a debt free grant of £2.021m making a review of the programme necessary.</p> <p>In light of the debt-free grant, it is now proposed to maintain the estates programme and bring forward the spend (£0.678m) for a number of special appliances, harmonising vehicles, a legacy of combination. The remaining grant of £1.343m will be used to reduce our borrowing, providing cumulative savings in debt charges of £0.423m during the period 2011-12 to 2013-14.</p>
RESOURCE IMPLICATIONS	A full financial appraisal was reported to members through the "Capital Programme 2011-12 – 13-14" (DSFRA 11/1) with additional information provided within this report.
EQUALITY IMPACT ASSESSMENT	Not appropriate at this time.
APPENDICES	N/A
LIST OF BACKGROUND PAPERS	"Capital Programme 2011-12 – 13-14" (DSFRA 11/1) – report to the Devon and Somerset Fire and Rescue Authority on 14 February 2011

1. INTRODUCTION

- 1.1 At its budget meeting on 14 February 2011, the Authority considered a joint report of the Director of Service Support and the Treasurer (DSFRA/11/1) on the proposed Capital Programme for the Devon & Somerset Fire & Rescue Service for the period 2011-12 to 2013-14, addressing the needs of Service estate, fleet and equipment.
- 1.2 Just prior to this meeting, however, and following publication of report DSFRA/11/1 notification was received from the Department for Communities and Local Government (CLG) of an additional capital grant for the financial year 2011-12 in the order of £2.021m. Given the late notification of this grant it was proposed at the meeting that a further report be brought back to the Authority in the next committee cycle. This provides the opportunity for the Resources Committee to make recommendations to the Authority having fully considered the impact of the options available. This report has already been considered by the Capital Programme Working Party, at its meeting on the 5 April 2011, which endorsed the proposed changes to the capital programme.

2. BACKGROUND

- 2.1 Each Fire and Rescue Authority (FRA) was advised by CLG that an amount of £70m capital grants was to be made available in each year of the Comprehensive Spending Review (CSR) and that the distribution of this sum would be subject to a bidding process, using criteria around invest-to-save and joint working arrangements to determine which bids would be successful in attracting grant funding.
- 2.2 However, included as part of the final Local Government Finance Settlement announcement on the 31 January 2011, CLG changed its position on this and agreed that, for 2011-12, this sum should be distributed amongst FRAs based upon the formula previously used in distributing grant in 2009-10 and 2010-11. In the future the CLG will consult with FRAs during 2011 to determine how the £70m is to be distributed from 2012-13.
- 2.3 This additional allocation was of course very welcome news for the Authority, particularly given the pressures on our capital investment plans, as detailed in the "Capital Programme 2011/12 – 2013/14". However, this report did not reflect the additional £2.021m grant funding. Consequently further consideration has been given to current borrowing levels, proposed projects programmed for 2011-12 and those capital projects that would benefit from this additional grant.

3. REVISED CAPITAL ALLOCATION

- 3.1 In report RC/08/10 "Affordable Capital Investment Plans for 2009-2010 to 2011-12" as submitted to the meeting of the Resources Committee on 8 December 2008, the Treasurer advised that debt repayments should be kept within 5% of the total revenue budget during the period 2010-11 to 2013-14. This advice has subsequently been reiterated to Members of the Capital Programme Working Party on a number of occasions.
- 3.2 Based on the approved 2010-11 three year capital programme, it was forecast that this ceiling would be breached in 2012-13 (5.13%). This breach would not be a result of borrowing being in excess of agreed limits, but rather as a consequence of future revenue budgets being lower than originally forecast following the CSR 2010 announcement, which for fire and rescue authorities included reductions in government grants of 25% by 2014-15.

- 3.3 The three year rolling capital programme for 2011-12 as approved by the Authority on 14 February sought to address the Service capital investment needs, by the suspension of the fleet programme for 2011-12. This provided funding for the estates programme and the invest-to-save development at Exeter Airport, whilst keeping borrowing costs within the set limit of 5% of the total revenue budget.
- 3.4 There remains a pressing need to maintain the programme in support of estates and keep funding in place for the two year build programme for a new training facility at Exeter Airport. The recommendation to Members of suspending the annual fleet replacement programme for 2011-12 has been reviewed, in light of the additional external grant funding becoming available, and it is proposed to increase funding by £0.678m. This will allow for the replacement of a number of special appliances, such as command support and environmental capability, required for the ongoing harmonisation of operational arrangements post combination. Whilst this was part of the suspended programme for 2012-13, there are benefits from bringing this forward.
- 3.5 The remaining £1.343m will be used to reduce the proposed borrowing by substituting the grant as a form of financing rather than having to borrow. Approval of this programme as detailed in Appendix B will reduce the approved external borrowing figure in 2013-14 from £34.6m to £33.6m, achieving cumulative savings of £0.423m in debt charges during the period 2011-12 to 2013-14.

TABLE 1 – SUMMARY OF ESTIMATED CAPITAL FINANCING COSTS

	2010-11	2011-12	2012-13	2013-14
	£m	£m	£m	£m
Base budget for Capital Financing Costs – debt charges and operating leasing rentals (February 14 th 2011)	4.969	5.162	5.277	5.373
Base budget for Capital Financing Costs – debt charges and operating leasing rentals (May 2011)	4.969	5.155	5.065	5.169
Saving between approved and proposed		(0.007)	(0.212)	(0.204)
<i>Debt Ratio (14th February 2011)</i>	4.01%	4.35%	4.56%	4.93%
<i>Debt Ratio (May 2011)</i>		4.32%	4.26%	4.65%

- 3.6 The figures in Table 1 illustrate that the revised programme has a positive impact against the debt ratio prudential indicator in all years, reducing from 4.93% to 4.65% in 2013-14. This is, of course, as a consequence of the reduced borrowing requirement which will also have a positive impact against all of the approved affordability and borrowing prudential indicators.

4. CONCLUSION

- 4.1 The late announcement of the capital grant allocation by the Department for Communities and Local Government (CLG) of £2.021m is welcome news and has provided the opportunity to revise the Authority's Capital Programme.

- 4.2 This report revises the Capital Programme as set out in Appendix B and is recommended to the Resources Committee for approval. Appendix A sets out the position on the Capital Programme as reported to the Authority on 14 February 2011.
- 4.3 This is an improved position for the Authority, addressing its capital investment needs, whilst continuing to provide funding for the development at Exeter Airport, maintaining the estates programme and bringing forward elements of the suspended Fleet programme. The net effect is to improve the borrowing costs associated with the capital programme to within the set limit of 5% of the total revenue budget.

TREVOR STRATFORD
Director of Service Support

KEVIN WOODWARD
Treasurer

APPENDIX A

Approved Capital Programme (2011/12 to 2013/14)

2010/2011 predicted outturn (£000)	Item PROJECT	2011/12 (£000)	2012/13 (£000)	2013/14 (£000)
	Estate Development			
-24	1 Exeter Middlemoor			
44	2 Exeter Danes Castle			
35	3 SHQ major building works	100		
	4 Major Projects - Training Facility at Exeter Airport	1,000	1,900	
882	5 Minor improvements & structural maintenance	1,750	1,750	1,750
80	6 Welfare Facilities			
34	7 Diversity & equality			
10	8 USAR works	460		
	9 Minor Works slippage from 2010-11	1,898		
<hr/> 1,061	Estates Sub Total	<hr/> 5,208	<hr/> 3,650	<hr/> 1,750
	Fleet & Equipment			
1,628	10 Appliance replacement	411	1,400	1,700
344	11 Specialist Operational Vehicles	619		
44	12 Vehicles funded from revenue			
98	13 Equipment	125	200	200
13	14 Asset Management Plan (Miquest) software	139		
<hr/> 2,127	Fleet & Equipment Sub Total	<hr/> 1,294	<hr/> 1,600	<hr/> 1,900
<hr/> 3,188	SPENDING TOTALS	<hr/> 6,502	<hr/> 5,250	<hr/> 3,650
	Programme funding			
1,807	Main programme	5,245	4,500	3,650
144	Revenue funds	797	750	
1,237	Grants	460		
<hr/> 3,188	FUNDING TOTALS	<hr/> 6,502	<hr/> 5,250	<hr/> 3,650

APPENDIX B

Revised Capital Programme (2011/12 to 2013/14)

2010/2011 DRAFT outturn (£000)	Item PROJECT	2011/12 (£000)	2012/13 (£000)	2013/14 (£000)
	Estate Development			
(7)	1 Exeter Middlemoor	30		
52	2 Exeter Danes Castle	10		
39	3 SHQ major building works	96		
	4 Major Projects - Training Facility at Exeter Airport	1,000	1,900	
1,091	5 Minor improvements & structural maintenance	1,650	1,750	1,750
90	6 Welfare Facilities	37		
34	7 Diversity & equality			
10	8 USAR works	560		
	9 Minor Works slippage from 2010-11	1,689		
<hr/> 1,309	Estates Sub Total	<hr/> 5,072	<hr/> 3,650	<hr/> 1,750
	Fleet & Equipment			
1,642	10 Appliance replacement	397	1,400	1,700
328	11 Specialist Operational Vehicles	1,315		
68	12 Vehicles funded from revenue			
96	13 Equipment	127	200	200
23	14 Asset Management Plan (Miquest) software	129		
<hr/> 2,157	Fleet & Equipment Sub Total	<hr/> 1,968	<hr/> 1,600	<hr/> 1,900
<hr/> 3,466	SPENDING TOTALS	<hr/> 7,040	<hr/> 5,250	<hr/> 3,650
	Programme funding			
2,050	Main programme	3,757	4,500	3,650
179	Revenue funds	802	750	
1,237	Grants	2,481		
<hr/> 3,466	FUNDING TOTALS	<hr/> 7,040	<hr/> 5,250	<hr/> 3,650