



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	RC/13/8
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	9 SEPTEMBER 2013
SUBJECT OF REPORT	CAPITAL PROGRAMME 2013-14 TO 2015-16
LEAD OFFICER	Director of Service Support and Treasurer
RECOMMENDATIONS	<i>That it be recommended to the Devon and Somerset Fire and Rescue Authority on 30 September that the revised Capital Programme and associated prudential indicators for 2013-14 to 2015-16, as included in this report, be approved.</i>
EXECUTIVE SUMMARY	<p>A three year capital programme for 2013-14 to 2015-16 was approved at the budget meeting in February 2013. This report proposes a revision to that programme to reflect:</p> <ul style="list-style-type: none"> a) An increase in the amount of slippage from 2012-13 to be carried forward to 2013-14. b) Additional capital spending items in 2013-14 to be funded from revenue contributions and grant funding. <p>It should be emphasised that these proposed increases do not require any increase in the Authority external borrowing requirements.</p>
RESOURCE IMPLICATIONS	As indicated within the Report
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	<ul style="list-style-type: none"> A. Capital Programme (2013/14 to 2017/18) B. Revised Capital Programme (2013/14 to 2017/18) C. Prudential Indicators
LIST OF BACKGROUND PAPERS	Report DSFRA/13/2 "Capital Programme 2013-14 to 2015-16" - as reported to DSFRA 18 February 2013.

1. INTRODUCTION

- 1.1 The current capital programme covering the three years 2013-14 to 2015-16 was approved at the budget meeting in February 2013.
- 1.3 This report seeks approval of the Authority to increase the programme figure for 2013-14 by an amount of £1.332m, of which an amount of £1.236m is to reflect additional slippage in spending in 2012-13, required to be carried forward into 2013-14, £0.055m to fund two additional capital spending items to be funded from direct revenue contributions to capital, and £0.041m is additional grant funding for environmental protection units.
- 1.4 It should be noted that the proposed changes do not require any additional external borrowing, over and above what has already been agreed, and therefore places no further burden on the revenue budget in terms of debt charges.

2. CURRENT CAPITAL PROGRAMME 2013-14 TO 2015-16

- 2.1 Each year the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Service to be understood over a three year rolling programme.
- 2.2 At the budget meeting on 18 February 2013 the Authority considered and approved a three year capital programme covering the years 2013-14 to 2015-16 (report DSFRA/13/2 "Capital Programme 2013-14 to 2015-16" refers). This approved programme is included as Appendix A.
- 2.3 As is the case in each year considerable effort is made to ensure that the impact of borrowing is maintained below the 5% ratio of financing costs to net revenue stream – one of several Prudential Indicators previously approved by the Authority. The impact of a reducing revenue base on the Service's ability to borrow whilst maintaining debt charge below this ceiling has, however, made the allocation of funds between the main cost centres of fleet and estates increasingly difficult.
- 2.4 Over the last 4 years funds have been directed towards specific Estates projects culminating in the Training Academy build at Exeter Airport, reducing the available budget for the vehicle replacement programme, thereby creating a significant backlog. There is an increasing need to reinstate this programme in the next financial year, with the proposed introduction of the Light Rescue Pump.
- 2.5 Whilst the approved programme for 2013-14 to 2015-16 has been constructed on the basis of what is affordable in terms of its exposure to external borrowing and taking account of the current economic position, as was reported to the February meeting, it does come with some risk in terms of progression of the Programme from 2016-17 onwards which may require a reconsideration by the Authority of its previous stance on the 5% Prudential Indicator.
- 2.6 Whilst a three year capital programme has been considered and approved, Appendix A also includes indicative spending levels for the three years beyond 2015-16. This enables debt levels and resulting debt charges to be forecast over a longer period. Based upon these figures it is forecast that Capital Financing Requirement (the need to borrow to fund capital spending) will have increased from current levels of £25m to £36m by 2018/19. Figure 1 below provides this analysis for each year.

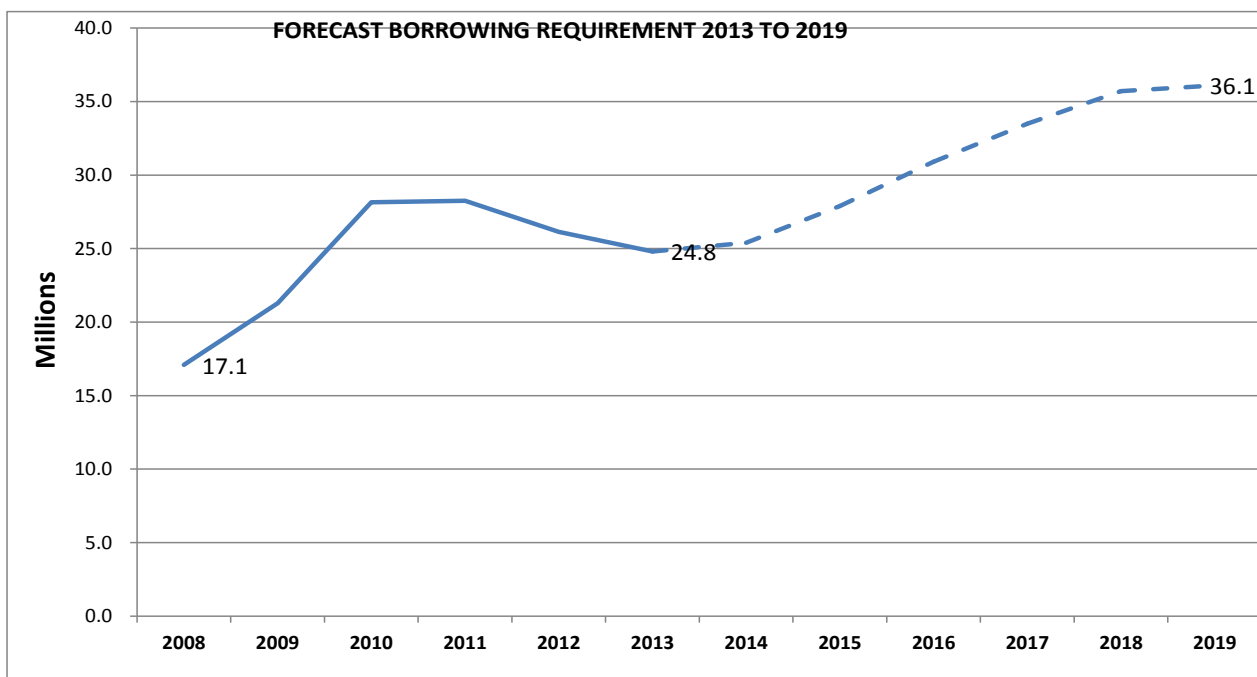


Figure 1

2.7 Clearly any increase in external borrowing will put additional pressure on the revenue budget in terms of increased debt charges. The affordability of these programmes will need to be subject to annual review based upon the financial position of the Authority and affordability tests to be applied. Figure 2 provides a summary of estimated debt charge emanating from this borrowing profile. These amounts are included in the 2013/14 revenue base budget and Medium Term Financial Plan 2013/14 to 2018/19.

Summary of Estimated Capital Financing Costs

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Base budget for Capital Financing costs	4.753	4.625	4.398	4.660	4.848	5.206	5.535
Debt charges and operating leasing rentals							
Change over previous year		-0.128	-0.227	0.262	0.188	0.358	0.329
Debt ratio	3.71%	3.89%	3.83%	4.42%	5.08%	5.64%	6.17%

Figure 2

2.8 As is illustrated from Figure 2 current forecasts are that the 5% ceiling will be breached in 2016-17 (5.08%). Given this forecast breach, a further review of the sustainability of applying the 5% limit will be required prior to consideration of the next three year capital programme as part of the budget setting process for 2014-15. A further report will be brought to this Committee later in 2013 in good time to inform budget planning for 2014-15.

3. PROPOSED REVISION TO CAPITAL PROGRAMME

3.1 Appendix B to this report provides a revised capital programme for the years 2013-14 to 2015-16. This revised programme reflects an increase in the capital programme figure for 2013-14 from £4.998m to £6.330m i.e. an increase of £1.332m. The increase of £1.332m is to cover:

- a) Slippage in spending in 2012-13 of £1.236m more than had been anticipated when setting the original programme for 2013-14. This slippage is required to be carried forward to 2013-14 and therefore reflects only a change to the timing of spend rather than an increase to funding requirements.
- b) An increase of £0.055m to cover the cost of two additional capital spending items to be funded from the revenue budget by way of a direct revenue contribution.
- c) Additional grant funding of £0.041m from the Environment Agency towards specialist Environmental Protection Units

3.2 It should be emphasised that these proposed changes do not require any increase in the need to borrow to fund capital spend, over and above the figures included in this report in Figures 1 and 2.

3.3 Appendix C to this report provides a summary of the revised prudential indicators emanating from the revised programme.

4. SUMMARY AND RECOMMENDATION

4.1 This report provides a revision to the agreed capital programme for the year 2013-14. The Committee is asked to recommend this revision, and associated prudential indicators, to the next meeting of the Fire and Rescue Authority to be held on the 30 September 2013.

4.2 Looking ahead, the affordability of future capital spending will inevitably be under more pressure given a reducing a revenue budget. The next review of capital spending plans will take place in good time to inform the budget setting process for 2014-15.

TREVOR STRATFORD
Director of Operations

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RC/13/8

Capital Programme (2013/14 to 2017/18)			PROPOSED PROGRAMME 2013-14 TO 2015-16			INDICATIVE PROGRAMME 2016-17 TO 2018-19		
2012/2013 Revised Programme (£000)	2012/2013 Predicted outturn (£000)	Item PROJECT	2013/14 (£000)	2014/15 (£000)	2015/16 (£000)	2016/17 (£000)	2017/18 (£000)	2018/19 (£000)
		Estate Development						
92	77	SHQ major building works		15				
3,284	2,184	Major Projects - Training Facility at Exeter Airport		1,100				
		Minor improvements & structural maintenance		300	2,050	1,750	1,750	1,750
15	15	Welfare Facilities						
105	105	USAR works						
343	343	Minor Works slippage from 2010-11						
1,674	1,063	Minor Works slippage from 2011-12		566				
2,140	530	Minor Works slippage from 2012-13		530				
52	52	STC ship structure						
7,705	4,369	Estates Sub Total	2,511	2,050	1,750	1,750	1,750	1,750
		Fleet & Equipment						
		Appliance replacement		1,015	2,480	2,480	2,480	1,395
		Specialist Operational Vehicles				400	400	
177	177	Vehicles funded from revenue						
242	91	Equipment		451	1,184	300	300	200
889	648	Appliance & Specialist Operational Vehicle slippage 2011-12						
1,620	599	Appliance & Specialist Operational Vehicle slippage 2012-13		1,021				
2,928	1,515	Fleet & Equipment Sub Total	2,487	3,664	3,425	3,180	3,180	1,595
10,633	5,884	SPENDING TOTALS	4,998	5,714	5,175	4,930	4,930	3,345
		Programme funding						
4,179	2,670	Main programme		360	4,316	4,930	4,930	3,345
4,433	1,193	Revenue funds		3,240				
2,021	2,021	Grants		1,398	1,398			
10,633	5,884	FUNDING TOTALS	4,998	5,714	5,175	4,930	4,930	3,345

APPENDIX B TO REPORT RC/13/8

Revised Capital Programme (2013/14 to 2017/18)			PROPOSED PROGRAMME 2013-14 TO 2015-16			INDICATIVE PROGRAMME 2016-17 TO 2018-19		
2012/2013 Revised Programme (£000)	2012/2013 Outturn (£000)	PROJECT	2013/14 (£000)	2014/15 (£000)	2015/16 (£000)	2016/17 (£000)	2017/18 (£000)	2018/19 (£000)
		Estate Development						
92	3	SHQ major building works	121					
3,284	2,090	Major Projects - Training Facility at Exeter Airport	1,544					
2,140	820	Minor improvements & structural maintenance	988	2,050	1,750	1,750	1,750	1,750
15	15	Welfare Facilities						
112	109	USAR works						
343	343	Minor Works slippage from 2010-11						
1,674	549	Minor Works slippage from 2011-12						
52	47	Minor Works slippage from 2012-13	300					
0	0	STC ship structure	0					
7,712	3,976	Estates Sub Total	2,953	2,050	1,750	1,750	1,750	1,750
		Fleet & Equipment						
700	207	Appliance replacement	1,015	2,480	3,125	2,480	2,480	1,395
920	251	Specialist Operational Vehicles				400	400	
184	183	Vehicles funded from revenue	13					
242	45	Equipment	300	1,184	300	300	300	200
889	0	Appliance & Specialist Operational Vehicle slippage	1,868					
		Equipment Slippage	181					
2,935	686	Fleet & Equipment Sub Total	3,377	3,664	3,425	3,180	3,180	1,595
10,647	4,662	SPENDING TOTALS	6,330	5,714	5,175	4,930	4,930	3,345
		Programme funding						
4,179	2,076	Main programme	1,596	4,316	5,175	4,930	4,930	3,345
3,247	415	Revenue funds	3,295					
1,200	150	Earmarked Reserves						
2,021	2,021	Grants	1,440	1,398				
10,647	4,662	FUNDING TOTALS	6,330	5,714	5,175	4,930	4,930	3,345

APPENDIX C TO REPORT RC/13/8

PRUDENTIAL INDICATORS	INDICATIVE INDICATORS 2016/17 TO 2018/19					
	2013/14 £m estimate	2014/15 £m estimate	2015/16 £m estimate	2016/17 £m estimate	2017/18 £m estimate	2018/19 £m estimate
Capital Expenditure						
Non - HRA	6.330	5.714	5.175	4.930	4.930	3.345
HRA (applies only to housing authorities)						
Total	6.330	5.714	5.175	4.930	4.930	3.345
Ratio of financing costs to net revenue stream						
Non - HRA	3.85%	3.88%	4.49%	5.15%	5.71%	6.24%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000	£000
Non - HRA	25,978	28,430	31,472	33,968	36,214	36,608
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,532	1,509	1,443	1,374	1,299	1,209
Total	27,510	29,939	32,915	35,342	37,513	37,817
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	-356	2,430	2,974	2,423	2,168	301
HRA (applies only to housing authorities)	0	0	0	0	0	0
Total	-356	2,430	2,974	2,423	2,168	301
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.36	-£1.18	-£0.96	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	32,770	35,390	37,788	38,306	39,343	40,122
Other long term liabilities	1,520	1,449	1,371	1,278	1,177	1,070
Total	34,290	36,839	39,159	39,584	40,520	41,192
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	31,472	33,968	36,214	36,608	37,532	38,292
Other long term liabilities	1,443	1,374	1,299	1,209	1,112	1,010
Total	32,915	35,342	37,513	37,817	38,644	39,302

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2013/14		
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%