

REPORT REFERENCE NO.	RC/15/9
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	2 SEPTEMBER 2015
SUBJECT OF REPORT	REVISION TO CAPITAL PROGRAMME 2015-16 TO 2017-18
LEAD OFFICER	DIRECTOR OF CORPORATE SERVICES AND TREASURER
RECOMMENDATIONS	<i>That the Devon and Somerset Fire and Rescue Authority be recommended to approve the revised capital programme and associated prudential indicators for 2015-16 to 2017-18, as included in this report.</i>
EXECUTIVE SUMMARY	<p>A three year capital programme for 2015-16 to 2017-18 was approved at the Authority's budget meeting in February 2015. 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 2014-15 and 2015-16 to be carried forward to 2015-16 and 2016-17; b) Additional capital spending items in 2015-16 to be funded from revenue reserves; c) £0.6m of savings against the agreed capital programme. <p>It should be emphasised that these proposed revisions 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 2015-16 to 2017-18. B. Revised Prudential Indicators 2015-16 to 2017-18.
LIST OF BACKGROUND PAPERS	Report DSFRA/15/2 "Capital Programme 2015-16 to 2017-18" - as reported meeting of DSFRA on 20 February 2015.

1. INTRODUCTION

- 1.1 The current capital programme covering the three years 2015-16 to 2017-18 was approved at the budget meeting in February 2015.
- 1.2 This report seeks approval of the Authority to revise this programme to reflect slippage and savings in spending already identified as part of the financial monitoring process, and the inclusion of new capital spending items to be funded from earmarked reserves.
- 1.3 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.
- 1.4 Further consideration of the affordability of future capital spending plans will be reviewed as part of the 2016-17 budget setting process.

2. CURRENT CAPITAL PROGRAMME 2015-16 TO 2017-18

- 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 20 February 2015, the Authority considered and approved a three year capital programme covering the years 2015-16 to 2017-18 (Minute DSFRA/44(b) refers). This approved programme is included in the Approved Budget column at Appendix A.
- 2.3 In constructing this programme, considerable effort has been 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 Whilst the approved programme has been constructed on the basis of what is affordable 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 2020-21 onwards which may require a reconsideration by the Authority of its previous stance on the 5% Prudential Indicator.

3. PROPOSED REVISION TO CAPITAL PROGRAMME

- 3.1 Appendix A to this report provides a revised capital programme for the years 2015-16 to 2017-18. The changes included in the revised programme reflect:
 - a) Slippage in spending in 2014-15 and 2015-16 of £1.65m more than had been anticipated when setting the original programme for 2015-16 to 2017-18. This additional slippage is required to be carried forward to 2015-16 and 2016-17; therefore reflects only a change to the timing of spend rather than an increase to funding requirements;
 - b) An increase of £114,000 in 2015-16 to cover the cost of two additional capital schemes to be funded from earmarked reserves as agreed by members at 2014-15 year end; specifically £84,000 for the construction of training containers at the Exeter airport site and £30,000 for Brake Testing equipment;

- c) Budget managers have now identified savings of £623,000 from the previously agreed programme. As Avon and Somerset Police are no longer committed to site sharing in Illminster, an amount of £241,000 of Estates expenditure for the remodelling of the Fire station is no longer required. In relation to the Fleet programme, £393,000 of savings has been identified, primarily from a review of the number of Specialist Support vehicles used throughout the service.

3.2 A summary of the impact to the overall programme of these changes is provided in Figure 1 below.

	Estates £m	Fleet & Equipment £m	Total £m
ORIGINAL PROGRAMME			
2014-15 (predicted outturn)	1.8	2.7	4.4
2015-16	1.9	6.3	8.2
2016-17	2.6	3.6	6.2
2017-18	2.0	3.3	5.3
Total 2014-15 to 2017-18	8.4	15.8	24.2
REVISED PROGRAMME			
2014-15 (actual outturn)	1.2	1.6	2.8
2015-16	2.1	6.1	8.2
2016-17	2.9	4.5	7.4
2017-18	2.0	3.3	5.3
Total 2014-15 to 2017-18	8.2	15.5	23.7
PROPOSED CHANGE	-0.2	-0.3	-0.5

Figure 1

- 3.3 Appendix B to this report provides a summary of the revised prudential indicators emanating from the revised programme. The current forecasts are that the ratio of financing costs to net revenue stream 5% ceiling will be matched in 2020-21.
- 3.4 As Members will be well aware, the full impact of Comprehensive Spending Review 2015 will not be known until later this year when it is expected that the government will set department spending limits for the next four years. Unprotected departments such as Fire have been advised to model reductions of 25% and 40% in grant funding over this period. The Medium Term Financial Plan (MTFP) for the Service indicates that annual savings of between £6m to £8m will be required by 2019-20. This modelling assumes that annual debt charges will have increased by approximately £1m by 2019-20 as a result of increased borrowing.
- 3.5 Clearly, as part of its financial planning, the Authority has a responsibility to ensure that any increases in external borrowing are affordable. The adoption of the Chartered Institute of Finance and Accountancy (CIPFA) Prudential Indicators places a requirement on the Authority to ensure that decisions on capital spending are made that are affordable, prudent and sustainable.

3.6 Further work will be undertaken in the coming months to review future capital spending plans with a view to minimising exposure to external debt over the next six year period. The review will be carried out in time to inform the 2016-17 budget setting round for final approval in February 2016.

4. SUMMARY AND RECOMMENDATION

4.1 This report provides a revision to the agreed capital programme for the years 2015-16 and 2016-17. 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 7 October 2015.

4.2 Looking ahead, the affordability of future capital spending will inevitably be under more pressure given a reducing revenue budget, and the need to avoid unaffordable exposure to external debt. Further consideration on this issue will be reported to this Committee in good time to inform the 2016-17 budget setting process.

MIKE PEARSON
Director of Corporate Services

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RC/15/9

Capital Programme 2015/16 to 2017/18						
Item PROJECT	2015/16	2014/15	2015/16	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000	£000
	Approved Budget	Year end Slippage	Amendments, slippage & Savings	Revised Budget	Revised Indicative budget	Indicative Budget
Estate Development						
1 Major Projects - Training Facility at Exeter Airport	329	76	16	421	0	0
2 Minor improvements & structural maintenance	1,616	476	(472)	1,620	2,955	2,040
Estates Sub Total	1,945	552	(456)	2,041	2,955	2,040
Fleet & Equipment						
3 Appliance replacement	4,089	575	(162)	4,502	3,015	2,557
5 Specialist Operational Vehicles	480	257	(393)	344	400	400
6 Equipment	1,391	266	(704)	953	1,054	320
7 ICT Department	250	0	(5)	245	0	0
8 Water Rescue Boats	93	0	0	93	0	0
Fleet & Equipment Sub Total	6,303	1,098	(1,264)	6,137	4,469	3,277
Overall Capital Totals	8,248	1,650	(1,720)	8,178	7,424	5,317
Programme funding						
Earmarked Reserves:	1,910	873	(1,736)	1,047	5,494	921
Revenue funds:	2,118	0	16	2,134	0	0
Borrowing	4,220	777	0	4,997	1,930	4,396
Total Funding	8,248	1,650	(1,720)	8,178	7,424	5,317

APPENDIX B TO REPORT RC/15/9

PRUDENTIAL INDICATORS	INDICATIVE INDICATORS 2017/18 to 2020/21					
	2015/16 £m Estimate	2016/17 £m Estimate	2017/18 £m Estimate	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate
Capital Expenditure						
Non - HRA	8.178	7.424	5.317	3.568	4.069	3.819
HRA (applies only to housing authorities)						
Total	8.178	7.424	5.317	3.568	4.069	3.819
Ratio of financing costs to net revenue stream						
Non - HRA	3.76%	4.18%	4.23%	4.56%	4.98%	5.31%
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	25,817	25,724	28,186	29,663	31,417	32,758
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,444	1,374	1,299	1,209	1,112	1,010
Total	27,261	27,098	29,485	30,872	32,529	33,768
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	3,169	-163	2,387	1,387	1,657	1,239
HRA (applies only to housing authorities)	0	0	0	0	0	0
Total	3,169	-163	2,387	1,387	1,657	1,239
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p	£ p
Increase/(decrease) in council tax (band D) per annum	-£0.10	-£0.10	-£0.18	N/A	N/A	N/A
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	29,477	30,949	32,827	34,241	35,737	37,294
Other long term liabilities	1,516	1,443	1,364	1,270	1,167	1,061
Total	30,993	32,392	34,190	35,510	36,904	38,355
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	28,186	29,663	31,417	32,758	34,166	35,656
Other long term liabilities	1,444	1,374	1,299	1,209	1,112	1,010
Total	29,630	31,037	32,716	33,967	35,278	36,666
Maximum Principal Sums Invested over 364 Days						
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000	5,000

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 2015/16		
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%