

**TYNE AND WEAR FIRE AND RESCUE AUTHORITY**

**Item No 4**

**MEETING: 16 JANUARY 2017**

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**SUBJECT: CAPITAL PROGRAMME 2016/2017 – THIRD QUARTERLY REVIEW**

**JOINT REPORT OF THE CHIEF FIRE OFFICER/CHIEF EXECUTIVE (THE CLERK TO THE AUTHORITY) AND THE STRATEGIC FINANCE MANAGER**

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**1 INTRODUCTION**

- 1.1 The original Capital Programme for 2016/2017 was approved at the Authority meeting on 15th February 2016.
- 1.2 The purpose of this report is to review the current year’s Programme and reflect further changes to those that were presented to the Authority as a consequence of the Second Capital Programme Review on 14<sup>th</sup> November 2016.

**2 CAPITAL PROGRAMME 2016/2017 - THIRD REVIEW**

- 2.1 The position for 2016/2017 is set out at Appendix A, and is summarised below:

		<b>Second Review</b>	<b>Third Review</b>
		<b>Revised Estimate (Nov)</b>	<b>Revised Estimate (Jan)</b>
		<b>£</b>	<b>£</b>
Expenditure	- Continuing Projects 2015/2016	2,200,388	1,984,351
	- Projects Commencing 2016/2017	57,267	100,212
	- Vehicle Replacement Programme	871,290	666,290
		<b>3,128,945</b>	<b>2,750,853</b>
Resources	- Fire Capital Grant	2,335,810	1,535,035
	- Transformation Grant	153,442	153,442
	- Response to New Risks Grant	8,300	8,300
	- Development Reserve	177,683	177,683
	- Carbon Management Plan Reserve	109,870	109,870
	- Revenue Budget C/fwd	72,285	72,285
	- RCCO	0	3,839
	- NFRS Contribution	0	24,109
- Capital Reserve	271,555	666,290	
	<b>3,128,945</b>	<b>2,750,853</b>	

- 2.2 The Capital Programme is showing a net reduction of £378,092 from £3,128,945 to £2,750,853.

- 2.3 Regular monitoring of the Capital Programme continues to take place and at the Third Review stage the following issues are brought to Members' attention for information:

### **ICT**

- 2.4 The tender for replacement of the firewall has been received at £107,886, which is £27,948 over budget. This additional cost is to be funded from a contribution of £24,109 from Northumberland Fire and Rescue Service and £3,839 from the ICT revenue budget. The capital programme has been amended accordingly to reflect this.
- 2.5 During the year, further research has been carried out on the project to replace the legacy 'people data/ERP' system. Technology has progressed significantly and the software products available now are far more intuitive, user friendly and provide up to date business intelligence. These better meet the requirements and future needs of the Service and, as such, it is proposed to expand the scope of the project to purchase an Integrated Data System (IDS) with this wider remit. A robust and transparent procurement process will be undertaken, but indicative costs associated with the required systems are higher than those in the original budget allocation. The remaining £223,985 in the 2016/2017 capital programme will need to be slipped to 2017/2018 and the full revised potential cost will be built into the Capital Programme for 2017/2018, with the additional funding identified of £126,955 to be met from the underspend on the Aerial Ladder Platform (paragraph 3.1), once confirmed.

### **Operational Equipment**

- 2.6 The operational equipment replacement programme is forecast to be overspent as Holmatro equipment is now being issued from stores. The overspend can be contained within the overall operational equipment capital budget. The capital programme will be amended to reflect this once final purchases and payments are made.

### **Carbon Management Plan (CMP)**

- 2.7 There may be a small overspend on the PV cells project in order to meet the necessary requirements. This can be met from within the overall Carbon Management Plan budget and the capital programme will be amended to reflect this once the project is complete.
- 2.8 The electric vehicle charging points are complete at the Technical Services Centre, but are currently on hold at Service Headquarters pending the proposed new entrance route to the site. This may need to be slipped in to 2016/2017 and an update will be reported to members at the next meeting.

### **TSC – Non Vehicle Replacement Programme Items**

- 2.9 A joint procurement exercise has been carried out for the BA compressors at stations Golf and Echo which will potentially generate a saving on the purchase. This will be confirmed to members once the exercise is complete.



- 2.10 The PPE replacement programme for 2016/2017 will be underspent by £20,000 due to a reduction in requirements during the year. This saving will be used to fund the purchase of replacement MFDs as set out at paragraph 2.12 below.

### **Additional Projects**

- 2.11 An additional project has been added to the Capital Programme to upgrade the fuel monitoring system. The current system was introduced in 2015/16, and further upgrades are required to improve the accountability of fuel usage and aid budget monitoring. This will cost £27,945 and can be funded from savings made in the 2016/2017 revenue fuel budget.
- 2.12 Extensive work has been carried over the last few months to look at the best option for replacement of the Multi-Functional Devices (MFDs) as the current contract is due to expire in March 2017. The most cost effective option is to link in to the contract that Sunderland City Council have with their provider and purchase the MFDs outright. The current MFD's will therefore be gradually replaced over the next 5 years with a total estimated cost of £68,800. It is anticipated that £15,000 of this will be spent in 2016/2017 as part of the initial replacement programme. The additional costs have been added to the Capital Programme and will be funded from savings made on the PPE replacement programme.

### **Additional Information**

- 2.13 The Chief Fire Officer has accepted the lowest tender for the Command and Control vehicle for £469,825 in accordance with the approved Delegation Scheme. The purchase will be made in 2017/2018 and is included in the Capital Programme that was approved by the Authority in February 2016.

## **3 VEHICLE REPLACEMENT PROGRAMME**

- 3.1 As reported previously to members, there will be an underspend on the purchase of the new Aerial Ladder Platform. Supplier estimates and market research were used to predict a purchase price three years prior to the actual spend and, at the time of purchase, financial markets and exchange rates were found to be more favourable. In addition, changes were made to the base chassis specification to allow a like for like model to be purchased at a much reduced cost. Together with a robust procurement process to identify a suitable and sufficient product at an affordable price, significant savings have managed to be achieved. The total saving is estimated to be in the region of £200,000 and the final cost will be reported to members once final payments are made, in the new Year.
- 3.2 The small vehicle fleet will now be purchased as part of a three-year procurement framework. Due to review and timing of this exercise, purchases have been delayed and specifications will not be complete until January 2017, with an expected delivery date of April 2017. Therefore, £205,000 allocated for vehicle purchases in 2016/2017 will need to be slipped in to 2017/2018. The capital programme has been amended accordingly.

## **4 PRUDENTIAL INDICATORS**



4.1 The Prudential Indicators for the financial year 2016/2017 were approved by the Authority on 15th February 2016. These indicators are regularly reviewed to ensure that:

- The Authority remains within its Authorised Limit for External Debt and any warning signals are highlighted where there is a danger that capital investment plans are not affordable, prudent, and sustainable;
- Treasury management decisions are taken in accordance with professional good practice; and
- The capital expenditure control framework operated locally is consistent with, and supportive of, local strategic planning, local asset management planning, and proper option appraisal.

4.2 Internal monitoring procedures have been established to track performance against the various prudential indicators agreed by the Authority. These are managed on a day to day basis by the Strategic Finance Manager. At this stage the Authority is operating within its Authorised Borrowing Limit, which is a statutory limit determined under Section 3 (1) of the Local Government Act 2003. There are no areas for concern or any issues which require any review of the indicators as originally approved. A further review of the indicators will be reported at the Capital Programme Outturn stage.

## **5 GOVERNMENT CAPITAL GRANT FUNDING**

5.1 As agreed at the meeting in November, the Authority has written to the Minister of State for Policing and the Fire Service to confirm the position with regard to future capital grant funding allocations for the Fire Service, and to seek clarification on whether capital funding will be made available to the Fire Service by the Home Office.

## **6 RISK MANAGEMENT**

6.1 A risk assessment has been undertaken to ensure that the risk to the Authority has been minimised as far as practicable. The assessment has considered an appropriate balance between risk and control, the realisation of efficiencies, the most appropriate use of limited resources and a comprehensive evaluation of the benefits. The risk to the authority has been assessed as low utilising the standard risk matrix based on control measures being in place.

## **7 FINANCIAL IMPLICATIONS**

7.1 The financial implications are set out in the detail of the report.

## **8 EQUALITY AND FAIRNESS IMPLICATIONS**

8.1 There are no equality and fairness implications in respect of this report.

## **9 HEALTH AND SAFETY IMPLICATIONS**



9.1 There are no health and safety implications in respect of this report.

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## **10 RECOMMENDATIONS**

10.1 The Authority is recommended to:

- a) Note the reported variations since the Second Quarterly Review;
- b) Note the procurement of the Command and Control Vehicle at the lowest cost tender received of £469,825 which is within both the agreed estimated cost and the Chief Fire Officer's Delegated authority;
- c) Approve the revised Capital Programme for 2016/2017, as set out at Appendix A.

