



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 22/54

MEETING	Dorset & Wiltshire Fire and Rescue Authority
DATE OF MEETING	14 December 2022
SUBJECT OF THE REPORT	Capital Programme 2022-23 and 2023-24
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	To note and approve
EXECUTIVE SUMMARY	<p>The Capital Programme is regularly monitored and reviewed during the year by the Finance & Audit Committee. This paper updates Members on the revised programme for 2022-23 taking account of projects carried forward, cost increases and other changes. Overall, the 2022-23 Capital Programme is now forecast at £5.8m. This will be financed through a mix of internal funding from revenue contributions and reserves, supplemented by an estimated new borrowing requirement of £2.6m.</p> <p>The paper also seeks approval for the 2023-24 indicative capital programme for Estates. This is in part due to expected cost increases, based on inflationary pressures and procurement experience this year, and additional works that are now required over and above original expectations. Approving the indicative programme for Estates now will allow the procurement process for the programme to begin early, allowing additional time for works to be completed during the financial year.</p>
RISK ASSESSMENT	Progress on the Capital Programme is monitored on a regular basis and takes account of current risks and priorities. Capital financing requirements are planned and controlled in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report.

BUDGET IMPLICATIONS	The amended Capital Programme amounts for 2022-23 and 2023-24 are included in our revenue and capital forecasting and budget plans for 2023-24.
RECOMMENDATIONS	<p>Members are asked to:</p> <ol style="list-style-type: none"> 1. Note the changes to the 2022-23 Capital Programme; 2. Approve the indicative Estates programme for 2023-24 at £1.9m; and 3. Approve the Revised Prudential Indicators 2022-23.
BACKGROUND PAPERS	<p>Authority paper 22/06 February 2022 – Appendix C Medium-Term Finance Plan 2022-2026</p> <p>Authority paper 22/07 February 2022 – Treasury Management 2022-23</p>
APPENDIX	Appendix A – Revised Prudential Indicators 2022-23
REPORT ORIGINATOR AND CONTACT	<p>Name: Ian Cotter, Head of Financial Services & Treasurer</p> <p>Email: ian.cotter@dwfire.org.uk</p> <p>Tel no: 07500 066130</p>

1. Introduction

- 1.1 The original 2022-23 Capital Programme was approved at £4.6m by the Authority in February 2022. Following the year end capital outturn position for 2021-22 capital spend of £728k was approved for roll forward by the Finance & Audit Committee in July, taking the 2022-23 Capital Programme total to £5.4m.
- 1.2 The purpose of this report is to advise the Authority on changes to the 2022-23 Capital Programme, taking account of projects carried forward, cost increases and other changes, such as the inclusion of the training centre project. The revised 2022-23 Capital Programme total with these changes is £5.8m.
- 1.3 Changes to the Capital Programme and financing arrangements are reflected in the revised Prudential Indicators shown at Appendix A.
- 1.4 The report also seeks early approval of the Estates capital programme for 2023-24. This is in part due to expected cost increases, based on inflationary pressures and procurement experience this year, but also due to additional works that are now required over and above original expectations. Approving the indicative programme for Estates now will allow the procurement process for the programme to begin early, allowing additional time for works to be completed during the financial year.

2. Revised Capital Programme 2022-23

2.1 Estates

- 2.1.1 **Training Centre project** – The revised budget includes a provisional sum of £270k for professional fees and other costs expected to be incurred, particularly to support the planning application process.
- 2.1.2 **Other Property Capital Works** - The tender returns for this year's cyclical maintenance programme showed a significant increase in costs. The estimated value of works was £873k, with £673k supported through the capital programme. The tender returns showed an indicative value of £1,101k, so an additional cost of £228k. After reviewing other areas of work the overall cost increase this year has been reduced to an estimated £210k.

2.2 IT and Communications

- 2.2.1 The programme includes £547k for the replacement and upgrading of station end equipment across all fire stations. This project commenced in 2021 but has been subject to some procurement delays. Due to global microchip shortages current lead times vary considerably, so we may well see delivery and therefore spend split across 2022-23 and 2023-24. £100k is included for a telephony project that is scheduled to be progressed later in the financial year.

2.3 Vehicles

2.3.1 The majority of the vehicle replacement programme is on track. The six large appliances are near completion. Twelve officer response vehicles are on order and eight currently have confirmed build dates. The remaining four may be delayed into 2023-24.

2.4 Operational & Other Equipment

2.4.1 The majority of equipment items relate to the replacement vehicles and are therefore also similarly on track.

2.5 Summary

2.5.1 With the additional changes to the Capital Programme, as highlighted above, the Revised 2022-23 Capital Programme total will be £5.8m.

Capital budget summary	Original Budget £'000s	Carry Forwards £'000s	In Year Changes £'000s	Revised Budget £'000s
Estates	998	450	480	1,928
IT & Communications	1,232	88	(15)	1,305
Vehicles	1,960	140	0	2,100
Operational & Other Equipment	438	50	(10)	478
TOTAL	4,628	728	455	5,811
Financed by:				
Capital & Other Reserves	300			3,260
Prudential Borrowing	4,328			2,551
TOTAL	4,628	728	455	5,811

3. **Prudential Indicators and Capital Financing Requirements**

3.1 Changing the total Capital Programme means that the capital financing requirements for the year will also change. The table at 2.5.1 above shows the revised programme and proposals for capital financing. These proposals take into account the plan to use the capital reserve to support the overall capital financing needs following the inclusion of the Training Centre project. This reduces the anticipated level of borrowing required to support the capital programme and delivers savings from lower capital financing costs.

3.2 Under the Prudential Code (the Code), the Authority must determine its planned level of borrowing whilst considering the affordability, prudence and sustainability of its capital plans. The Code requires the Authority to approve a range of prudential

indicators in support of this requirement and these need revising in light of the changes highlighted above.

- 3.3 The Indicators show a more favourable position as a result of the reduction on borrowing requirements. Appendix A sets out Revised Prudential Indicators for 2022-23.

4. Estates Capital Programme 2023-24

- 4.1 Current provision for the Estates programme in 2023-24 totals £0.9m, with £0.2m funded through the revenue budget and £0.7m in the capital programme. This was based on officer pre-tender estimates from 2021 for the works required at eight sites across the Service area and various environmental and plant and equipment enhancements.
- 4.2 As we have seen with this year's capital programme, the current estimates need revising upwards. Our cost estimates from August 2022 suggest increasing the total cost to £1.1m but it would be prudent to add a further contingency against additional price rises given the continuing difficult economic climate. A 20% contingency would add £0.2m and take the revised total to £1.3m.
- 4.3 In addition to the original works planned there is also a need to replace the main roof at Swindon Fire Station. This cannot wait until the next scheduled cyclical maintenance project for Swindon which would be in 2025-26. The estimated cost for these works is £125k.
- 4.4 A provisional sum of £0.5m is allowed for the Training Centre project.
- 4.5 Overall, the Estates programme work for 2023-24 therefore needs to be set at £1.9m, with £1.7m in the capital programme. Members are asked to approve this sum now so that officers can begin the procurement work necessary to allow site works to commence earlier in the new financial year.

5. Summary and key points

- 5.1 The original 2022-23 Capital Programme approved by the Authority in February 2022 was £4.6m. The changes highlighted in this report result in a Revised 2022-23 Capital Programme totalling £5.8m.
- 5.2 As a result of the changes to the capital programme and capital financing arrangements the 2022-23 Prudential Indicators have been revised, as shown in Appendix A.
- 5.3 The Estates capital requirement for 2023-24 has increased, partly due to inflation pressures, but also additional works that have been identified, along with the inclusion of the Training Centre project. The overall total required for the Estates programme is £1.9m.

Appendix A

Revised Prudential Indicators 2022-23**1. Capital expenditure**

This indicator is a summary of the Authority's capital programme requirement.

	Original Estimate 2022-23 £m	Revised Estimate 2022-23 £m
Capital Expenditure		
- Property/Estates	0.998	1.928
- Vehicles	2.276	2.100
- Equipment	0.122	0.478
- Information Communication Technology	1.232	1.305
Total Capital Programme	4.628	5.811

2. Capital financing requirement

The capital financing requirement (CFR) measures the Authority's underlying need to borrow for capital purposes. It is simply the total historic capital expenditure, including financing that is implicit in Private Finance Initiative (PFI) schemes and finance leases, which has not yet been paid for from either revenue or capital resources.

	Original Estimate 2022-23 £m	Revised Estimate 2022-23 £m
CFR at 1 April (start of year)	43.196	42.374
Planned Capital expenditure	4.628	5.811
Less:		
Write down of PFI and Finance leases	-0.649	-0.649
Revenue Financing	-0.300	-3.260
Grants/Receipts Applied	-0.000	-0.000
Statutory Charge to Revenue	-2.182	-2.130
CFR at 31 March (end of year)	44.693	42.146

3. Ratio of financing cost to the net revenue stream

This indicator shows the net cost of financing the capital programme as a percentage of the funding receivable from the Government and council tax payers, expressed as a ratio. The net cost of financing includes interest and principal repayments, netted off by interest receivable in respect of any cash investments held.

	Original Estimate 2022-23	Revised Estimate 2022-23
Ratio of financing costs to net revenue stream (including PFI)	6.75%	6.57%
Ratio of financing costs to net revenue stream (excluding PFI)	4.41%	4.23%

4. External debt

The Authority needs to ensure that its long-term gross debt does not exceed, except in the short term, the projected Capital Financing Requirement (CFR) for the forthcoming year and the following two financial years. This prevents the Authority from over borrowing in the long term and thereby taking on excessive levels of debt.

The current estimates for gross debt are shown in the table below:

	Original Estimate	Revised Estimate
	2022-23	2022-23
	£m	£m
Debt outstanding 1st April	16.869	16.869
New debt	5.000	2.000
Debt repayment	-0.608	-0.608
Debt outstanding	21.261	18.261
PFI/Lease Liabilities	9.470	9.470
PFI/Lease written down	-0.649	-0.649
PFI/Lease Liability outstanding	8.821	8.821
Gross Debt outstanding	30.082	27.082