

6 June 2012

Bids for Capital Funding 2013-2015

Report by Chief Fire Officer

Contact: John Beckerleg, Director of Corporate Services, 023 8064 4000 ext. 2003

1 Summary

1.1 For the two years 2013-14 and 2014-15, the Government's contribution to funding for the Authority's capital programme will be based on a combination of:

- An efficiency fund, administered as a capital grant via a bidding process, and
- A pro-rata grant using the current distribution method.

HFRS proposes to submit two bids against the efficiency fund in relation to its plans for: Energy Efficiency and Carbon Management; and Emergency Response Vehicles.

1.2 The proposed bids to be submitted to the Department of Communities and Local Government (DCLG) by 2 July 2012 are attached as Appendices A and B to this report.

2 Recommendation

2.1 That the two bids for capital grant funding be approved for submission to DCLG.

3 Introduction and background

3.1 In March 2012 the DCLG informed fire and rescue authorities that capital funding for the two years 2013-14 to 2014-15 would be based on a combination of:

- An efficiency fund, administered as a capital grant via a bidding process, and
- A pro-rata grant using the current distribution method.

The split between the distribution methods and the amount to be allocated by competitive bidding will be dependent on the quality of the bids, with the flexibility to vary across the years.

3.2 In order to qualify for grant funding the projects must deliver efficiency savings whilst demonstrating value for money.

3.3 For each bid three options need to be submitted setting out the bid amount (100%), 20% more (120%) and 20% less (80%) to allow the DCLG flexibility in deciding amounts and distribution.

3.4 It is proposed to submit two bids against the efficiency fund which satisfy all of the

criteria.

4 Bid: Energy Efficiency and Carbon Management Project

4.1 An investment programme in energy savings measures is currently being finalised. This is based on a wide range of measures and a survey of a sample of stations to identify those measures which will give the maximum financial return and the greatest savings in carbon dioxide emissions (CO₂). The programme of work will also underpin the Authority's Carbon Management Plan.

4.1 The proposed bid to DCLG is for £400,000 in 2013-14 and £400,000 in 2014-15 towards the capital cost of implementing energy efficiency and carbon management measures throughout the Service. If the bid is successful, HFRA would continue to meet the on-going running costs but would benefit from energy savings as the efficiencies are realised.

4.2 Details of the bid are set out in Appendix A. In summary the bid is expected to produce:

- Annual efficiency savings in maintenance and utility costs of £130,000; and
- Annual saving in CO₂ emissions of 700 tonnes per annum by year three which would be a significant contribution to our reducing our energy footprint.

5 Bid: Rationalisation of Emergency Response (Vehicles)

5.1 Through the Financial Challenge Programme Board (FCPB) eight Efficiency Proposals have been identified to realise financial savings of £2.5m to mitigate part of the loss of Government revenue grant by 2014-15. One of these proposals is the 'Rationalisation of Emergency Response' which has a savings target of £1 million from revenue by the end of the financial challenge year 4, which is March 2015.

5.2 A project was established to focus on this proposal and this capital bid relates to one part of this project – rationalising emergency response vehicles.

5.3 HFRA currently sends additional equipment to support operational incidents in various ways. In particular we use two very different types of vehicles: a Special Equipment Unit (SEU) and a Multi-Role Vehicle (MRV).

5.4 There are currently 4 SEUs in operational service. These have been in place for many years to support incidents and provide enhanced rescue capability. With the enhancement of all frontline appliances over the past 5 years and the introduction of rescue appliances they no longer provide significant benefit to resolve the majority of operational incidents.

5.5 The 3 MRV's have 6 different load options that can be deployed to support incidents as required. However historic call analysis shows a year on year decrease in call numbers, with the three vehicles attending a total of 85 incidents in 2011.

5.6 As part of ongoing plans to rationalise our emergency response, and to match resources to risk, we are considering replacing these seven special vehicles with four standardised appliances. This would be coupled with introduction of 5 enhanced command support vehicles. Together this will improve the effectiveness

of our support at operational incidents whilst increasing efficiency through:

- Reduced the cost of borrowing by purchasing three fewer vehicles;
- Reduced maintenance and running costs;
- Increased vehicle utilisation;
- Reduced costs through rationalising of operational equipment; and
- Reduced operational and driver training requirements.

5.7 The bid is to seek a contribution of £0.9m towards the estimated vehicle replacement costs of £1.4m. There will be savings on capital spending over the next 14 years (by avoiding additional vehicle purchases) and revenue savings in capital funding and operating costs

6 Supporting our corporate aims and objectives

6.1 The projects support both our environmental and resource priorities.

6.2 There are two risks on the strategic risk register that this project helps to mitigate:

- Failure to adequately fund and deal with the increasing burden and cost of repairing, maintaining and improving the Authority's properties; and
- Failure to plan and react to the implications of the Comprehensive Spending Review

7 Risk analysis

7.1 If the capital bids fail, HFRS will need to determine if it is able to progress these projects utilising funding from other sources in order to deliver the efficiency savings.

8 People Impact Assessment

8.1 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.

9 Background papers

9.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

- SMT Report: Bid to DCLG for Capital Funding 2013-2015

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.

Fire Capital Grant Application - Energy Efficiency and Carbon Management

Applicant information	
Name of fire and rescue authority	Hampshire Fire and Rescue Service
Lead contact	John Beckerleg
Position	Director of Corporate Services
Address	Leigh Road, Eastleigh, Hampshire, SO50 9SJ
Telephone number	023 8062 6833
Email address	john.beckerleg@hantsfire.gov.uk
Project overview	
Project title	Energy Efficiency and Carbon Management
Brief project summary	This project will deliver an Invest to Save programme of energy efficiency and carbon reduction measures
Project location	Measures will be delivered across the 52 HFRS sites in Hampshire
Total cost of project	£1.074m (covering the initial investment and on-going maintenance/ replacement costs)
Total amount bid for	£800,000
Other sources of public funding sought/obtained?	No
Is this bid a private/public partnership or solely public?	Solely public
Have you submitted any other bids? If yes, what is the bid title?	Yes Rationalisation of Emergency Response Vehicles
Project information	
(1) Project title	Energy Efficiency and Carbon Management
(2) Briefly summarise the project and its main objectives	<p>HFRS has commissioned a report that measures the energy efficiency of its estate, identifies prioritised actions and recommends the optimum level of investment required to achieve carbon reduction targets and to produce an acceptable level of return on investment.</p> <p>The programme of improvements will be delivered over a two year period.</p> <p>The programme will support the HFRS Carbon Management Plan.</p>
(3) Please summarise how the project will enable you to deliver ongoing cashable resource savings and continue your service with a reduced revenue budget.	The measures will have a direct and immediate impact on the consumption of energy from fossil fuel based services
(4) Please set out the main project activities including project management arrangements, controls and assurance. Please identify benefits, savings, and a clear timescale over which they will be achieved along with output milestones.	The project team will be managed by an in service PRINCE2 practitioner under the guidance and assurance of the HFRS Programme and Project Office. The project manager will report to the responsible executive with a monthly highlight report. Project documentation will include the

	<p>mandate, PID, quality and communication plans and risk register</p> <p>Benefits of the project include</p> <ul style="list-style-type: none"> • Reduced gas, electricity and oil consumption • Reduced maintenance costs • Risk of fuel inflation is mitigated • Carbon footprint is smaller • Improved working environments • Better energy security • Enhanced asset value <p>Projected savings from the project</p> <ul style="list-style-type: none"> • £130,000 per annum at today's rates • 700 tonnes CO₂ per annum <p>Output milestones</p> <ul style="list-style-type: none"> • Sept 2012 – report to Authority for approval • Dec 2012 – design & procurement complete • Mar 2014 – all measures implemented • Dec 2019 – projected break even point
<p>(5) Do you have an Asset Management Plan? If available, please provide the link to your Plan, if not available electronically please forward a hard copy. If you do not have an Asset Management Plan, provide a brief assessment of the condition of your current capital assets and your proposed capital expenditure in the next 3 to 5 years.</p>	<p>Yes – estate condition surveys are held in SAP. These identify a fully costed programme of maintenance requirements over the next 10 years.</p> <p>A capital programme of £450k per annum has resulted in continuous improvement to the fabric of all HFRS buildings.</p>
<p>(6) Please identify the key risks and mitigations to delivery of your project should it be funded.</p>	<p>Uncertainty in future energy costs and impact upon the business case is mitigated by using a low escalator so as not to overstate the return on investment</p> <p>Reliability and performance of new and emerging technologies can be mitigated by concentrating on established measures with proven benefits</p>
<p>(7) Please explain how you intend to share good practice learning from this project.</p>	<p>We will share this within the CFOA South East Region Operational Response and Resilience Group. Also with the CFOA Property Group and SE Regional Procurement Group</p>
<p>(8) Has the bid been approved by locally established governance structures/committees?</p>	<p>Approved by Hampshire Fire and Rescue Authority on 6 June 2012 and approved by the Service Management Team on 8 May 2012.</p>

<p>(9) Please confirm that adequate project financial controls are (or will be) in place and that the usual system of controls for ensuring financial propriety, regularity and value for money of all expenditure will be applied and rigorously followed.</p>	<p>Procurement of works packages will comply with EU Directives and Public Contracts regulations and contracts will be managed by construction and engineering professionals appointed by HFRS.</p> <p>The spending will be in accordance with HFRA Financial Regulations and be monitored in accordance with established arrangements.</p>
<p>(10) Please confirm that you have fully considered long term affordability (i.e., financial risk) in developing your bids.</p>	<p>This project is included in the control measures in mitigation of two entries on our Strategic Risk Register; namely 'Failure to adequately fund and deal with the increasing burden and cost of repairing, maintaining and improving the Authority's properties' and 'Failure to plan and react to the implications of the Comprehensive Spending Review'</p> <p>The proposed investment programme has taken a long term view (over 25 years) of the investment measures and their return. This includes assessing on-going maintenance and incorporating assumptions on energy prices.</p> <p>The programme is a series of discrete measures which means that it can be kept under constant review and managed in phases if it becomes necessary.</p>

Fire Capital Grant Application - Rationalisation of Emergency Response Vehicles

Applicant information	
Name of fire and rescue authority	Hampshire Fire and Rescue Service
Lead contact	John Beckerleg
Position	Director of Corporate Services
Address	Leigh Road, Eastleigh, Hampshire, SO50 9SJ
Telephone number	023 8062 6833
Email address	john.beckerleg@hantsfire.gov.uk
Project overview	
Project title	Rationalisation of Emergency Response Vehicles
Brief project summary	The project is to replace seven existing specialist response vehicles with four bespoke Response Support Vehicles (RSVs)
Project location	Based at HFRS HQ Eastleigh, but will be strategically located to provide emergency cover across the county
Total cost of project	£1.4 million (to be confirmed)
Total amount bid for	£0.9 million
Other sources of public funding sought/obtained?	No
Is this bid a private/public partnership or solely public?	Solely public
Have you submitted any other bids? If yes, what is the bid title?	Yes Energy Efficiency and Carbon Management
Project information	
(1) Project title	Rationalisation of Emergency Response Vehicles
(2) Briefly summarise the project and its main objectives	<p>HFRS currently sends additional equipment to support operational incidents in various ways. In particular we use two very different types of vehicles: a Special Equipment Unit (SEU) and a Multi-Role Vehicle (MRV).</p> <p>As part of ongoing plans to rationalise our emergency response, and to match resources to risk, we are considering replacing these seven special vehicles with four standardised appliances.</p> <p>This will improve the effectiveness of our support at operational incidents whilst increasing efficiency through:</p> <ul style="list-style-type: none"> • Reduced the cost of borrowing by purchasing three fewer vehicles • Reduced maintenance and running costs • Increased vehicle utilisation, • Reduced costs through rationalising of operational equipment. • Reduced operational and driver training requirement.

<p>(3) Please summarise how the project will enable you to deliver ongoing cashable resource savings and continue your service with a reduced revenue budget.</p>	<p>Without affecting the front line service there will be ongoing revenue savings from vehicle running costs, maintenance, insurance and training. The long term capital replacement programme will reduce and the depreciation charge will be less.</p> <p>If the bid for capital grant is successful then there will be additional savings from the reduced revenue costs of borrowing.</p>
<p>(4) Please set out the main project activities including project management arrangements, controls and assurance. Please identify benefits, savings, and a clear timescale over which they will be achieved along with output milestones.</p>	<p>The project team will be managed by an in service PRINCE2 practitioner under the guidance and assurance of the HFRS Programme and Project Office.</p> <p>The project manager will report to the responsible executive director for Service Delivery with a monthly highlight report.</p> <p>Project documentation will include the mandate, PID, quality and communication plans and risk register</p> <p>Benefits of the project include</p> <ul style="list-style-type: none"> • Improved response to incidents • Standardisation of equipment • Standardisation of training • Standardisation of maintenance • Reduced running costs • Less driver training <p>Savings from the project include</p> <ul style="list-style-type: none"> • £1m from the capital programme over 14 years • £0.5m from the revenue budget by year 4 <p>Output milestones</p> <ul style="list-style-type: none"> • Dec 2012 – vehicle and equipment trials • Dec 2013 – vehicles operational at stations • Mar 2014 – disposal of redundant vehicles • July 2019 – break even point
<p>(5) Do you have an Asset Management Plan? If available, please provide the link to your Plan, if not available electronically please forward a hard copy. If you do not have an Asset Management Plan, provide a brief assessment of the condition of your current capital assets and your proposed capital expenditure in the next 3 to 5 years.</p>	<p>Yes – fleet replacement and capital programmes attached. These specialist appliances are replaced on a 14 year cycle and are all in very good to excellent condition.</p>
<p>(6) Please identify the key risks and mitigations to delivery of your project</p>	<p>The risks include:</p> <ul style="list-style-type: none"> • Inadequate specification (we will work closely

<p>should it be funded.</p>	<p>with users to define the Service's requirements and ensure a flexible design)</p> <ul style="list-style-type: none"> • No suppliers (we will ensure appropriate engagement with potential suppliers) • Deployment does not match the County's risk profile (we will keep the location of the RSVs under review and change the location of vehicles as necessary)
<p>(7) Please explain how you intend to share good practice learning from this project.</p>	<p>We will share this within the CFOA South East Region Operational Response and Resilience Group. Also with the CFOA Transport Operators Group and SE Regional Procurement Group</p>
<p>(8) Has the bid been approved by locally established governance structures/committees?</p>	<p>Approved by Hampshire Fire and Rescue Authority on 6 June 2012.</p>
<p>(9) Please confirm that adequate project financial controls are (or will be) in place and that the usual system of controls for ensuring financial propriety, regularity and value for money of all expenditure will be applied and rigorously followed.</p>	<p>Procurement of new appliances will comply with EU Directives and Public Contracts regulations. Disposal of redundant vehicles will be by public auction in accordance with HFRA standing orders. Both will be managed by HFRS Procurement and Fleet Management services.</p>
<p>(10) Please confirm that you have fully considered long term affordability (i.e., financial risk) in developing your bids.</p>	<p>This project is an integral part of HFRS Financial Challenge Programme established to deliver the on-going cashable efficiency savings necessary to ensure that we can continue to deliver a high class service to the people in Hampshire with a reduced budget.</p> <p>The programme is responsible for maintaining a medium term view of funding and spending, and also for ensuring that approved projects deliver the agreed benefits.</p> <p>This bid does not give rise to any new long term affordability risks since future replacements would need to be, as now, part of the planned vehicle replacement programme. The intended efficiencies will reduce the affordability risk.</p>