

AVON FIRE AUTHORITY

MEETING:	Avon Fire Authority
MEETING DATE:	Wednesday, 5 October 2022
REPORT OF:	The Treasurer
SUBJECT:	2022/23 Capital Programme Update

1. **SUMMARY**

- This report provides an update on the 2022/23 Capital Programme and operational updates and additional context information for 2022/23 projects.

2. **RECOMMENDATIONS**

The Fire Authority is asked to:

- a) Note the latest expenditure position on the 2022/23 Capital Programme and to review any key issues to provide the required assurance on the approved Capital Programme.

3. **BACKGROUND**

- 3.1. The Fire Authority Chair requested reports on the Capital Programme be forwarded to the Performance Review and Scrutiny Committee (PRSC), to enable review and scrutiny on an ongoing basis. However, the sequencing of meetings has meant that this report is being provided to the Fire Authority to consider first and then PRSC on 7 October 2022.
- 3.2. Capital spend is monitored continuously throughout the financial year and reported to each meeting of the PRSC. Finance staff have continued to work closely with capital operational leads to strengthen capital reporting. Quarterly Capital Review Meetings are being held with Premises, Fleet, Information and Communication Technology (ICT) and Operational Equipment Budget Holders to review progress and agree forecasts.
- 3.3. The Capital Programme approved for 2022/23, including adjustments for the final 2021/22 carry over, is £7.741m.

4. **FINANCIAL IMPLICATIONS**

- 4.1 The table below shows a summary of the year-to-date financial position, including a projection for the year end annual expenditure and the forecast variance at the year-end. **Appendix 1** shows the detail of the 2022/23 Capital Programme.

Capital Programme 2022/23

Capital Programme 2022/23	2022/23 Final Capital Budget £'000	Spend to date (Apr-Aug 2022) £'000	Forecast Expenditure £'000	Forecast Variance £'000
Capital Funding	7,741			
Capital Expenditure	7,741	1,725	7,291	-450

NB: A minus sign denotes an underspend financial position.

5. **KEY CONSIDERATIONS**

- 5.1 Detailed operational updates for Fleet and Premises capital projects can be found in **Appendices 2 and 3**.
- 5.2 The Control function projects currently within the capital programme for the Dispatch Communication Server (DCS) and replacement of the mobilising system hardware and software are now expected to be higher than those indicated in the initial requests (£450k of which £350k is for mobilising hardware and software refresh, and £100k for DCS) which were based on initial costings provided by the supplier. No formal proposals have been provided by the supplier however from recent meetings costs are likely to be significantly higher, for example, in the case of DCS by 50% (£50k) while overall project costs, potentially, could more than double. These projects are also subject to delay as a result of national issues with supply of equipment so it is not yet possible to confirm whether any expenditure will be incurred within 2022/23 as previously planned. This will mean that the funding will be carried over into future years in order to complete the project as required.
- 5.3 Operational equipment expenditure is expected at approved levels.
- 5.4 The Transformation capital allocation will be used to fund the purchase of PORIS (Provision of Operational Risk Information System) hardware, with an estimated value of £110k, to support this project and the procurement process

is now underway. The remaining Transformation allocation will be available to support ongoing work throughout the project.

Update on current situation regarding risks to supply chain and ongoing pressures

5.5 The supply chains of multiple markets are challenging at present caused by a number of factors, including Brexit, COVID-19, inflation, transportation and the Ukraine/Russia conflict. This is causing increased costs, volatility of supply and extended delivery times. Areas that are particularly challenging at present that may impact the Service are:

- **Construction** – unprecedented increases in costs for steel, timber and concrete products due in the main to the Ukraine/Russia conflict but also due to increased fuel and energy prices. The Service is also seeing increased costs in paints and ceramic tiles/sanitary ware. This will mean substantial increased costs to building and refurbishment projects and suppliers wanting to fix prices at the point of order.
- **Fleet**
 - Large vehicles have a minimum lead time of 12 months for a chassis across all suppliers. Other parts required for vehicle build especially requiring microchips are also experiencing delays but not as long as 12 months. This will likely impact delivery times for fleet replacement programme.
 - Electric vehicles are also experiencing an average of 12 months lead time depending on the vehicle make and model. This is already impacting the delivery of replacement vehicles which were expected in March 2022.
- **ICT** – The Service is experiencing increased costs and shortages in certain products or long lead times. In the main caused by worldwide microchip shortage and exasperated by recent COVID-19 lockdowns in China.

5.6 The existing mitigations which are in place are being put to good use, there are robust procurement processes and governance. The Service is working with NFCC nationally to keep aware of the national picture and work together to ensure continued supply. In addition, collaborative working with our major contractors and Service colleagues is being undertaken to understand the pressures being experienced and how these can be addressed by working together, this includes placing orders much earlier due to long lead times and considering alternative products. The procurement team is working closely with the Head of Premises to establish possible ways to approach governance/award papers to enable factoring price changes following award. The Service Leadership Team (SLT) and the wider Service are being regularly updated to ensure awareness of potential challenges and impacts.

The procurement pipeline is regularly reviewed to ascertain any potential knock-on effects on resources and planned procurements. Regular contract meetings are held with key providers to understand any potential impacts to pricing and deliveries.

Responses to specific questions raised

5.7 There were several questions raised at the recent Fire Authority Annual General Meeting for which the following responses have now been collated:

Query raised regarding on-going costs for maintenance of older vehicles, whilst we await the delayed new vehicles.

- The delayed access to new vehicles has impacted the volume of older vehicles needing to be maintained. The Authority currently operates 18 vehicles over 15 years old.
- The planned maintenance cost has generally increased by approximately 18% across parts because of supply limitations and inflation. The increased need for parts outside of Service items for older vehicles such as body fabric and structure components has resulted in delays that can cause considerable impact to the vehicle return to service time.
- The annual cost relating to the older vehicle standards maintenance needs has risen more generally when vehicles exceed 10 years of age, these vehicles cost approximately 23% more than their more recent counterparts.
- Fleet workshops apply engineering and commercial decision making and all vehicles remain operationally capable and although an overall increase in revenue spend will occur the cost remains managed within current budgets.
- Major component failures such as an engine, gearbox or axle may result in greater supply difficulties specifically in the older vehicles, however such failure remains unlikely. To mitigate these risks further the older vehicles are operated across the reserve vehicle and training vehicle provision in order that such failures or repair delays would have minimal impact.

Request for reassurance about prices being fixed and the suppliers not being able to increase prices due to price increases in the supply chain.

- This will depend on the contract terms in place and the type of product/service being provided. A number of contracts have contracted annual increases aligned to indices such as RPI or CPI. Whereas some suppliers would have chosen or the procurement team may have negotiated not to implement an increase in the past, it has been noted that suppliers are instigating the increases that they are entitled to under contract as CPI is 10%, currently, which is increasing costs.
- With regards to fixed price contracts, in the main, suppliers are adhering to the contract agreement. There have been a couple of suppliers who have advised that they will not be able to provide at the agreed fixed rates, in

these instances legal advice has been obtained to determine the best way to proceed for each individual circumstance.

Concern raised regarding the implications of a contracted supplier not being able to supply at all i.e., contracts being frustrated and the potential impact on Avon Fire & Rescue Service.

- It will be a rare circumstance that a supplier is unable to supply under an agreed contract, they may not be able to supply as per the original pricing or timeline due to supply chain issues, but all suppliers will work with the Service to communicate and mitigate these impacts. As well as working with the supplier to mitigate impacts the procurement team will research other options such as terminating the contract and placing orders elsewhere or understanding whether alternative products may be more widely available.

6. RISKS

This report primarily relates to CR20 (Funding and Resource Pressures), CR17 (Building Asset Condition & Physical Security) for the Premises programmes, CR19 (Change and Transformation) and CR13 (Loss of IT Systems) for the ICT programme.

7. LEGAL/POLICY IMPLICATIONS

None

8. BACKGROUND PAPERS

- a) AFA report: 22.06.2022 (paper 19)
- b) PRSC report: 15.07.2022 (paper 11)

9. APPENDICES

1. 2022-23 Capital Financial Summary
2. 2022-23 Fleet Capital Operational Update
3. 2022-23 Premises Capital Operational Update

10. REPORT CONTACT

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