



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

CAPITAL BIDS 2013/2014

Report of the Chief Fire Officer

Agenda Item No:

Date: 29 June 2012

Purpose of Report:

To seek the approval of Members to the submission of a capital grant application to the Department of Communities and Local Government.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 In recent years capital grants have been made directly from central government on the basis of a simple formula. Nottinghamshire Fire and Rescue Service (NFRS) has been allocated a sum of approximately £1.4m in 2012/2013 and this can be spent on any capital scheme.
- 1.2 From 2013/2014 the Department of Communities and Local Government (CLG) require that Authorities make specific bids for this grant and have set out a number of criteria for bidding, one of which is that elected Members should approve the bids being submitted.
- 1.3 The deadline for submission is 3 July 2012 and this paper seeks the approval of Members to the three schemes for which the Authority is proposing to bid.

2. REPORT

- 2.1 The schemes which are proposed do not detract from the existing capital programme or from existing policy as some of the schemes are already included within the Capital Programme.
- 2.2 The first bid is in respect of the replacement/relocation of Central Fire Station which has already been agreed as part of the Fire Cover Review and has been included within the capital Programme. This scheme will meet the criteria for savings set down by the CLG in that it returns a positive net present value (NPV) of £594,000 over 10 years. This is largely due to the estimated capital receipt expected in Year 1 with the majority of expenditure in Year 0. The bid application is given as Appendix A to this report.
- 2.3 The second bid is in respect of the replacement of the Aerial Ladder Platform which as a project has already been approved by the Finance and Resources Committee. This project shows a slightly negative NPV but this is due to the guidance from CLG not allowing the saving on the procurement of a new special appliance of £100,000 to be included as a saving. Also limiting pay back periods to ten years when this appliance has a fifteen year life is unhelpful. The bid application is given in full as Appendix B to this report.
- 2.4 The final bid relates to the extension of the sustainable energy project across the whole estate and includes the provision of ground source heat pumps. This project shows a minor positive NPV, but as this bid does not allow for the anticipated cost of energy price inflation to be considered nor the full life cycle of the project, this must be viewed as positive. Again the full bid application is given as Appendix C to this report.
- 2.5 The process of bringing these bids together has highlighted the difficulty in complying with the guidance involved in a system which will only consider projects with a positive NPV or pay back. In the context of the public sector, this simply does not work as it is impossible to demonstrate a positive NPV from say the purchase of a fire appliance or the building of a fire station. Whilst in principle the idea of having some capital grant available for invest to save type

projects is supported it is simply unreasonable to use this as the criteria for all capital spending. In very simplistic terms fire appliances are purchased because without them members of the public will not receive a fire appliance when required and not because they have a financial payback.

- 2.6 The ACO Director of Finance and Resources is actively engaged on the CLG Capital Working Group which is seeking to bring these anomalies to the attention of ministers and hopefully this will result in some significant changes in future years.

3. FINANCIAL IMPLICATIONS

In total the three bids total over £4.8m which if they are successful, will represent a significant boost to the capital programme and a "revenue free" resource. The ongoing costs of all the projects are included in the bids and so there is no ongoing legacy of revenue cost to consider over and above that already built into budgets..

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no implications for leaning and development or human resources arising from this report.

5. EQUALITIES IMPLICATIONS

There are no implications for equalities arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

There are no risk management implications arising from this report.

9. RECOMMENDATIONS

That Members approve the three projects set out in this report for submission to the CLG as a capital bid.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER

Fire capital grant application form

Applicant information

Name of fire and rescue authority: Nottinghamshire

Lead contact: Neil Timms

Position: ACO Director of Finance and Resources

Address: Fire HQ, Bestwood Lodge, Arnold Nottingham, NG5 8PD

Telephone number: 01159675894 07967690762

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Project overview

Project title: Sustainable Energy Project.

Brief project summary: The Service currently has 28 properties around the County of Nottinghamshire some of which have recently had Photovoltaic panels fitted to generate power for both use in those buildings and to feed back in to the grid. This has been highly successful in terms of reducing energy charges and the authority would now like to extend this project both by fitting further PV panels and also using a few selected sites for the use of Ground Source Heat Pumps. The life of these projects far exceeds the 10 year pay back period as the only evidence of deterioration over time relates to efficiency rather than failure thus energy savings and the contribution to the green agenda can be sustained into the future. The technology is tried and tested and the business case is not reliant upon the continuation of the current levels of feed in tariff. Although running as separate bids it is likely that a joint procurement will be carried out with Derbyshire Fire and Rescue Service to achieve procurement efficiencies from this project.

Project location: Nottinghamshire and City of Nottingham

Total cost of project: £840k

Total amount bid for: £840k

Other sources of public funding sought/obtained? None

Is this bid a private/public partnership or solely public? Public

Have you submitted any other bids? If yes what is the bid title? Yes

Aerial Ladder Appliance Replacement
Central Fire Station Relocation/Replacement

Project information

1. Project title: Sustainable Energy Project
2. Briefly summarise the project and its main objectives

The Project Consists of two main elements:

- The fitting of Photovoltaic Cells to ten Fire Stations
- The fitting of Ground Source Heat Pumps to 5 Fire Stations.

A recent review of sustainable energy technologies and their suitability for use at NFRS premises showed that there was scope for extensive employment of both PV Cells and Ground Source Heat Pumps (GSHP). The Authority set aside £530,000 to start this project in 2011/2012 and a number of buildings have been suitably equipped. The use of Ground Source Heat Pumps has been trialled at the new fire station in Carlton which has received a BREEAM rating of excellent and the sort of energy efficiencies being designed into new and refurbished properties mean that it may be possible to achieve carbon neutrality in a fire station shortly.

The review referred to above identified a number of sites where GSHP and PV Cell are viable and cost estimates and paybacks have been calculated. The availability of capital has been the only limiting factor.

3. Please summarise how the project will enable you to deliver ongoing cashable resource savings and continue your service with a reduced revenue bracket.

The cost saving model is a simple one in that savings arise from two main sources:

- i) The reduction in energy charges due to the generation of electricity and heating power
- ii) The feed in tariff for surplus energy fed back to the grid.

The second of these whilst undoubtedly important is less of an issue to a Fire Service which uses power on a 24/7 basis.

This project is essentially a financial decision although the Authority is clearly looking to improve its "green credentials".

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 will be managed by the Service's Estates Manager who has wide experience of managing such projects to completion both on time and within budget. Controls are in place to monitor progress against projects and reporting to both senior managers and elected members.

The financial benefits are as described in section 3 above and these will be realised in full from the date of commissioning. These benefits have already been tried and tested and so there is little risk attaching to this.

Cost estimates are based on a recent review referred to above which was carried out by professional architects and on the basis of actual experience of just having completed a similar project. Estimates for savings are based on actual experience since similar equipment has been fitted elsewhere.

The NPVs show a marginally positive position over the ten year period which is excellent when the levels of inflation expected for energy prices cannot be taken into account within any NPV calculation. Also the ability to make such a significant contribution to carbon reduction whilst at the same time generating savings is directly in line with government policy.

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.

The Authority does not maintain a formal asset management plan although the Director of Finance and Resources does prepare a sustainable capital plan which spans approximately 20 years to ensure that levels of capital spending can be sustained over the longer term.

Property is considered within the context of a full condition survey which has been carried out along with a strategic review of fire cover which confirms where fire stations need to be, which ones need to be moved and which ones closed. The principle not lost here again is sustainability and a programme of renewal/refurbishment which does not leave the Authority exposed to the risks of unavailable capital funding and a deteriorating estate.

6. Please identify the key risks and mitigations to delivery of your project should it be funded.

There is virtually no supplier risk attached to this project as the supplier has already been used to implement an earlier project of the same type. There is however a planning risk in that planning permission needs to be sought for the PV Panels as these are roof mounted. Again this has been done before and only small changes to design have been sought by planners.

7. Please explain how you intend to share good practice learning from this project.

Nottinghamshire FRS are already cited as an example of excellence in building design partly because of our work in respect of sustainable technologies. It is hoped that if Derbyshire join in with this project that they too will begin to attract positive publicity and this type of sustainable development will begin to be adopted more widely.

8. Has the bid been approved by locally established governance structures? Yes
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.

Normal authority financial controls will be applied to this project

10. Please confirm that you have fully considered long term affordability (i.e. financial risk) in developing your bids.

This is part of the long term sustainability plan and does not involve Revenue commitments that are not within the budget plans.

Fire capital grant application form

Applicant information

Name of fire and rescue authority: Nottinghamshire

Lead contact: Neil Timms

Position: ACO Director of Finance and Resources

Address: Fire HQ, Bestwood Lodge, Arnold Nottingham, NG5 8PD

Telephone number: 01159675894 07967690762

Email address: neil.timms@notts-fire.gov.uk

Project overview

Project title: Replacement and relocation of Central Fire Station.

Brief project summary: The Service currently has a Fire Station in the Centre of the City which is a shared premise with Nottinghamshire Police. It is an old building largely unsuited to modern occupation is expensive to maintain and particularly to heat. The estimated costs of bringing this building up to a reasonable standard are prohibitive and its location is no longer required. By relocating this station to a site more on the edge of the City it is possible that the Authority may be able to relocate another station to improve fire cover but at little or no cost. The benefits set out in this project however simply relate to the efficiencies of moving to a new building and the receipt arising from the sale. It is unfortunate that the cost saving matrix only runs for 10 years as most buildings are expected to last far longer than this and the savings continue to accrue.

Project location: Nottingham

Total cost of project: £3.1m

Total amount bid for: £3.1m

Other sources of public funding sought/obtained? None

Is this bid a private/public partnership or solely public? Public

Have you submitted any other bids? If yes what is the bid title? Yes

Aerial Ladder Appliance Replacement
Sustainability Project

Project information

1. Project title: Replacement/Relocation of Central Fire Station
2. Briefly summarise the project and its main objectives

The Project Consists of a number of elements:

- The purchase of land on the outskirts of the city to relocate fire station.
- Construction of new fire station
- Migration of crews and machines to new location.
- Sale of existing site jointly with Nottinghamshire Police and Nottingham City Council.

A recent Fire Cover Review has identified that the location of the present Central Fire Station is no longer appropriate to the risk identified in the community and that this could be better served by a relocation of resources to another area of the City. The existing building is old, unsuitable and expensive to heat and maintain as well as being part of a building complex which is jointly occupied with Nottinghamshire Police and until recently Nottingham City Council who have recently vacated the site..

3. Please summarise how the project will enable you to deliver ongoing cashable resource savings and continue your service with a reduced revenue bracket.

Ongoing savings arise from three main sources:

- Reduced costs of maintenance (this is rising beyond inflation due to the age and condition of the building)
- Reduced cost of energy
- Will alleviate the requirement to rent office space for City Centre staff

It should be emphasised however that this is not essential a financial decision but one based around risk. Whilst financially advantageous the main benefits come from improving Fire Cover at no additional cost. The cost of providing such improved cover to an area of the City which is due for major expansion could run to £100k's if a new station is required. By repositioning the Central Fire Station between the City Centre and this area of increasing population these additional costs can be avoided.

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 will be managed by the Service's Estates Manager who has wide experience of managing such projects to completion both on time and within budget. Controls are in place to monitor progress against projects and reporting to both senior managers and elected members.

The financial benefits are as described in section 3 above and these will be realised in full from the date of commissioning of the new station and the sale of the existing site.

Cost estimates are based on a recent new build fire station along with discussions with architects and estimates of land values for a number of potential sites that have already been identified by property advisors. Savings are based on the scaling of savings achieved from a similar development completed recently..

The NPVs show a marginally positive position over the ten year period which is perhaps a little surprising given that this project will have a 40-50 year life span and that savings will continue to accrue. Nevertheless a positive position after ten years is pleasing.

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.

The Authority does not maintain a formal asset management plan although the Director of Finance and Resources does prepare a sustainable capital plan which spans approximately 20 years to ensure that levels of capital spending can be sustained over the longer term.

Property is considered within the context of a full condition survey which has been carried out along with a strategic review of fire cover which confirms where fire stations need to be, which ones need to be moved and which ones closed. The principle not lost here again is sustainability and a programme of renewal/refurbishment which does not leave the Authority exposed to the risks of unavailable capital funding and a deteriorating estate.

6. Please identify the key risks and mitigations to delivery of your project should it be funded.

Supplier Risk exists in construction in relation to price and time slippage however the project manager who will be controlling the project is well experienced in this type of development and has a track record of delivering projects such as this both on time and under budget. The project will be procured using a design and build contract which has been successful in the recent past in transferring much of the construction risk to the contractor.

7. Please explain how you intend to share good practice learning from this project.

Nottinghamshire FRS have for some time been learning from its property design work by using standard designs where possible along with standardised fixtures and fittings, flexible changing facilities, accessibility by design etc. as well as being the first Fire Service to achieve a BREAM Excellent rating for a recent Fire Station. These lessons carry forward and are being examined by other Fire and Rescue Services and we would hope to continue this model of excellence.

8. Has the bid been approved by locally established governance structures? Yes
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.

Normal authority financial controls will be applied to this project

10. Please confirm that you have fully considered long term affordability (i.e. financial risk) in developing your bids.

This is part of the long term sustainability plan and does not involve Revenue commitments that are not within the budget plans.

Fire capital grant application form

Applicant information

Name of fire and rescue authority: Nottinghamshire

Lead contact: Neil Timms

Position: ACO Director of Finance and Resources

Address: Fire HQ, Bestwood Lodge, Arnold Nottingham, NG5 8PD

Telephone number: 01159675894 07967690762

Email address: neil.timms@notts-fire.gov.uk

Project overview

Project title: Replacement of Aerial Ladder Appliance

Brief project summary: The Service current has two aerial ladder appliances on the run that are proving unreliable in service as well as expensive to maintain. The project encompasses a number of elements which involve the purchase of a new machine, buy out of leases, decommissioning one appliance and reusing the chassis of another

Project location: Nottingham

Total cost of project: £945,000

Total amount bid for: £710,000

Other sources of public funding sought/obtained? None

Is this bid a private/public partnership or solely public? Public

Have you submitted any other bids? If yes what is the bid title? Yes

Rebuild/Relocation of Central Fire station
Sustainability Project

Project information

1. Project title: Replacement of Aerial Ladder Appliance

2. Briefly summarise the project and its main objectives

The Project Consists of a number of elements:

The purchase of an existing leased machine from the leasing company
The Purchase of a second user machine
The purchase of a new aerial ladder appliance
The conversion of an existing machine to a special appliance
The return of the remaining machine to the leasing company

Essentially the project replaces two existing aerial appliances which have proved very unreliable in service and very expensive to maintain with a new machine and a second user machine in reserve. It reduces the requirement to keep two machines on the run and will generate significant savings in maintenance. The conversion of the chassis on the second machine into a special appliance will provide excellent value for money as this will negate the requirement to purchase a new appliance thus saving over £100,000.

3. Please summarise how the project will enable you to deliver ongoing cashable resource savings and continue your service with a reduced revenue bracket.

Ongoing savings arise from three main sources:

- Reduced costs of maintenance
- Reduced leasing costs
- Reduced costs of purchasing a special appliance

It should be emphasised however that this is not essential a financial decision but one based around risk. Having determined that the service can function with only one aerial appliance it becomes imperative that this is reliable.

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 will be managed by the Service's Fleet Manager who has wide experience of managing such projects to completion both on time and within budget. Controls are in place to monitor progress against projects and reporting to both senior managers and elected members.

The financial benefits are as described in section 3 above and these will be realised in full from the date of commissioning of the vehicle into service. Much of the cross training of crews has already taken place on the second hand machine which has already been purchased to speed up the delivery of the new appliance. A successful bid will enable an order to be placed for this vehicle for delivery in the Summer of 2013. Excellent arrangements are in place with the suppliers of the chassis and the body builders such that we are confident that the vehicle can be delivered up to specification.

Cost estimates are based on a current tender process for the supply of an aerial appliance along with estimates of lease savings provided by our leasing company and maintenance savings based on empirical evidence from owners of this type of appliance.

The NPVs show a positive position in terms of CLG funding and a slightly negative position overall. This should be seen however against the backdrop of only a 10 year NPV calculation which is not wholly appropriate in the case of an asset with a design life of over 15 years for which positive NPV is calculated for both funding streams

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.

The Authority does not maintain a formal asset management plan although the Director of Finance and Resources does prepare a sustainable capital plan which spans approximately 20 years to ensure that levels of capital spending can be sustained over the longer term. For Fleet this plan is effectively 18 years long as this

encompasses the full fleet lifecycle. The condition of the fleet is generally quite good as most appliances are programmed to be replaced within their design lifetime. The only exceptions to this are low mileage, low dependency vehicles which may have their lives extended beyond their design life. The two aerial appliances are an exception to this process in that they have proven to be unreliable and expensive long before their design life has expired.

Property is considered within other bids but a full condition survey has been carried out along with a strategic review of fire cover which confirms where fire stations need to be, which ones need to be moved and which ones closed. The principle not lost here again is sustainability and a programme of renewal/refurbishment which does not leave the Authority exposed to the risks of unavailable capital funding and a deteriorating estate.

6. Please identify the key risks and mitigations to delivery of your project should it be funded.

Supplier Risk exists in so far as there are always complications of using a chassis manufacturer and different supplier for the superstructure. In this case the chassis will probably come from Sweden and the boom arm from Finland with the appliance actually being assembled here in the UK. The supplier to be used will be one of a number of main agents who is well experienced in such matters and has successfully managed many projects of this nature.

There is a currency risk in that orders are placed in Euros rather than Sterling but this risk will be taken out by hedging against currency fluctuation at the time of ordering.

The purchase will be carried out via the national framework which will help to remove any risk of poor specification and this is supplemented by the Fleet Manager having wide experience of this type of procurement in the past.

7. Please explain how you intend to share good practice learning from this project.

It could be argued that in fact NFRS is learning from the good practice of others in putting together this project in that much of the assumptions around maintenance costs have been based upon the experience of others. As a piece of technology this appliance is not innovative but a tried and tested solution however it is possible that others may choose to adopt a similar process to Nottinghamshire in terms of buying a second user machine to train with before introducing a new machine to significantly shorten commissioning time.

8. Has the bid been approved by locally established governance structures? Yes
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.

Normal authority financial controls will be applied to this project

10. Please confirm that you have fully considered long term affordability (i.e. financial risk) in developing your bids.

This is part of the long term sustainability plan and does not involve Revenue commitments that are not within the budget plans.