



Northumberland

County Council

Cabinet

Tuesday, 12 December 2023

PFI Furniture, Fixtures and Equipment (FF&E) Responsibilities

Report of Councillor(s) Cllr Gordon Stewart, Cabinet Member for Looking After our Communities

Responsible Officer(s): Graeme Binning, Chief Fire Officer Dr Helen Paterson, Chief Executive

1. Link to Key Priorities of the Corporate Plan

This recommendation directly supports the NCC Corporate Plan Priority of Achieving Value for Money. This will be achieved by ensuring that the money spent on maintaining, repairing and replacing furniture, fixtures and equipment at the PFI community fire stations at Pegswood and West Hartford (including Headquarters) reflects the needs of the Service. The current arrangement involves paying the PFI provider in excess of £80k per annum, when the cost of the service provided is unlikely to be in excess of £30k.

This recommendation has potential to indirectly support the NCC Corporate Plan Priorities of Tackling Inequalities and Driving Economic Growth by delivering an annual efficiency of £60k, which can be invested in other service areas.

2. Purpose of report

This report provides the detail of this provision and seeks Cabinet approval for the removal of the loose furniture, fixtures and equipment (FF&E) element of the current North East Fire & Rescue Authority (NEFRA) Private Finance Initiative (PFI) contract. This proposal has potential to achieve a total efficiency of £1,375,750, from its proposed effective date of 1st April 2022 to the expiration of the contract in 2035/36.

3. Recommendations

- 3.1 It is recommended that Cabinet approves the removal of the FF&E element of the current NEFRA PFI contract, in order to realise efficiencies in the region of £1,375,750 from its proposed effective date of 1st April 2022 up to the expiration date

of the contract in 2035/36 and delegates authority to the Chief Fire Officer to authorise the deed of variation to be entered into, to effect this variation.

- 3.2 It is also recommended that an earmarked reserve is created to facilitate an alternative more cost effective solution for FF&E ongoing repair, maintenance and parts, following the proposed withdrawal from the existing FF&E element of the current NEFRA PFI contract. It is proposed to create the reserve from the remainder from the efficiency saving of £1,375,750 after the existing savings target of £60k pa has been realised.

4. Forward plan date and reason for urgency if applicable

This report first appeared on the Forward Plan on 27th October 2023.

5. Background

- 5.1 Since 2010, Northumberland has been the lead Fire Authority in a 25-year, three partner PFI contract provided by Collaborative Services Support (CSS). The other partners being Durham & Darlington and Tyne & Wear Fire & Rescue Authorities. The proportion of the contract value between the three Authorities is as follows:
- Northumberland – 51.3%
 - Durham & Darlington – 32.1%
 - Tyne & Wear – 16.6%
- 5.2 The contract, which runs to 2035, includes the provision of community fire stations at West Hartford, Pegswood, Tynemouth, Spennymoor and Bishop Auckland; as well as the NFRS Service Headquarters (SHQ) at West Hartford.
- 5.3 The contract is funded via the payment of a monthly Unitary Charge by the Authorities to CSS. The current monthly charge is £449,697.46, of which £230,739.77 (51.3%) falls to be payable by Northumberland. This payment is offset by quarterly PFI Credits of £825,722, i.e. £275.240 per month; provided by Central Government. This equates to a contribution of £404,688 per quarter or £134,895 per month for Northumberland. This results in monthly payment deficit for Northumberland of £95,845, which is funded through the NFRS mainstream budget.
- 5.4 The Unitary Charge covers several elements, which include:
- Mortgage payment – the Authorities will own their respective buildings post 2035.
 - Provision of a Facilities Management Service.
 - Provision of a Grounds Maintenance Service.
 - Provision of a FF&E maintenance, repair and replacement service.
- 5.5 In June 2021, a proposal was made by the NFRS Estates Manager to the NFRS SLT, recommending that the FF&E provision of the PFI contract be removed, with a view to realising an efficiency for the Authority of approximately £775k over the remainder of the contract. The recommendation proposed that NFRS/NCC would assume responsibility for the maintenance, repair and replacement of any FF&E items.

- 5.6 The FF&E element of the PFI contract is defined in an elementary manner such as desks, chairs, tambour units, small fridges etc. Under the initial contract arrangements the PFI provider, CSS, would be responsible for the maintenance, repair and where necessary replacement of such items.
- 5.7 The initial proposal identified the 2022/23 annual FF&E element of the Unitary Charge was £118,729, of which £79k was charged to Northumberland. This figure is index linked and will increase with inflation on an annual basis. However, when the Deed of Variation was produced by CSS; the annual reduction in the UC was £163,526.56, of which £83,889 would be credited to Northumberland for 2022/23. The effective date for the Deed of Variation is 1st April 2022. The refunds due for 2022/23 will be credited during 2023/34 should this recommendation be approved.
- 5.8 The recommendation accepted by the NFRS SLT included a budget efficiency to NCC of £60k per annum and utilisation of the remainder of the efficiency to create a fund for any FF&E requirements which emerged during the remainder of the contract period. This fund is to be cumulative, i.e. building each year, as the majority of the requirements are likely to be towards the end of the contract. A separate Direct Agreement has been established between NFRS and the Facilities Management provider to provide 180 hours of labour per annum for the maintenance and repair of FF&E items, at an annual cost of £4,500. This maximises the use of FM staff on-site, thus reducing travel costs to carry out repairs and maintenance. This contract does not include the provision of parts for repairs or replacement, such costs to be borne by NFRS/NCC. This will be funded via the accumulating FF&E fund taken from the efficiency balance.
- 5.9 The decision to accept this recommendation was taken by the NFRS SLT, which was chaired by the previous Chief Fire Officer on 24th June 2021. The decision is duly recorded in the SLT Decision Log and the Minutes of that particular meeting. The decision did not involve contractually committed expenditure; it was based upon the realisation of an efficiency rather than expenditure. At that time, the anticipated total efficiency over the length of the contract was in the region of £775k and was therefore considered to be within the Delegated Authority of the Chief Fire Officer under Part 9. Section 2.4 of the NCC Constitution extant at that time.
- 5.10 Subsequently, the CSS Legal Team has asked for evidence of the authority of the Chief Fire Officer to make this decision under the Delegated Authority. Pending receipt of such evidence, they are currently unable to sign the Deed of Variation.
- 5.11 This matter has been discussed at length with the NCC Legal Team and the advice is that the decision should be escalated to the NCC Cabinet for approval. The reason for this is that, whilst the recommendation does not relate directly to expenditure, it does relate to financial matters and the total figures being considered exceed the Delegated Authority for Corporate Directors in Part 9: Sections 2.3 (£500k) and 2.4 (£1m) of the Constitution extant at that time.
- 5.12 The financial incentives to support this recommendation are:
- 2022/23 – financial efficiency for Northumberland - £83,889 - £10,000 legal fees = **£73,889**. (this efficiency will be back dated once the Deed of Variation is signed by CSS. It should be noted that £60k of this efficiency was previously agreed as a NCC budget efficiency and removed from the NFRS revenue base budget in 2021/22.

- Assuming an average RPI of 2.5% the accumulated efficiencies from 2023/24 to 2035/36 will be:

Financial Year	Efficiency based on 2.5% RPI
2023/24	£85,986
2024/25	£88,135
2025/26	£90,339
2026/27	£92,597
2027/28	£94,912
2028/29	£97,285
2029/30	£99,717
2030/31	£102,210
2031/32	£104,765
2032/33	£107,384
2033/34	£110,069
2034/35	£112,821
2035/36	£115,641
Total 2023/24 to 2035/36	£1,301,861

6. Options open to the Council and reasons for the recommendations

- 6.1 Agree to the recommendation to remove the FF&E element from the NEFRA PFI contract. If this recommendation is agreed, NFRS/NCC will carry the financial risk associated with maintaining, repairing and replacing the furniture, fixtures and equipment at both Pegswood and West Hartford Community Fire Stations (including Service Headquarters). However, this risk will be offset by a reduction in the Unitary Charge paid to the PFI provider. It is anticipated that this saving will be in the region of £1,375,750 up to the end of the contract in 2035/36.
- 6.2 Not agree to the recommendation to remove the FF&E element from the NEFRA PFI contract. This option would remove the risk for NFRS/NCC to carry the costs of maintaining, repairing and replacing the furniture, fixtures and equipment at both Pegswood and West Hartford Community Fire Stations (including Service

Headquarters). However, not agreeing to the recommendation will negate any reduction to the Unitary Charge paid to the provider, which has potential to result in a saving in the region of £1,375,750 up to the end of the contract in 2035/36. It should also be noted that included within this amount is a £60k per annum saving which is already built into the NFRS revenue base budget; this would not be delivered, leaving a recurrent budget pressure of £60k.

7. Implications

Policy	There are no policy implications associated with this recommendation.
Finance and value for money	<p>The financial implications of this recommendation are:</p> <ol style="list-style-type: none"> 1. Additional expenditure - £10k legal fees to be reduced from UC credit in 2023/24. 2. Additional expenditure – to fund any FF&E maintenance, repair or replacement requirements. This will be funded from the surplus savings over and above the £60k budget efficiency. 3. Reduction in PFI Unitary Charge with potential savings in the region of £1,375,750 up to the end of the contract in 2035/36; in accordance with the table provided at section 5.12. 4. The £60k pa recurrent budget saving already built into NFRS revenue base budget will be realised. 5. Create an FF&E earmarked reserve to enable an alternative more cost effective solution for the repair, maintenance and parts over the remainder of the PFI contract. The reserve will be created from the PFI contract underspend of £1,375,750 less the annual efficiency saving amount of £60k pa which is already built into the NFRS revenue base budget.
Legal	The decision is an executive function in accordance with the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and within the delegated powers of the Chief Fire Officer under the Constitution. The Chief Fire Officer considers the matter to be of such importance or sensitivity that their delegated authority should not be exercised. In these circumstances he or she may refer the matter back to the delegator for determination under Part 5 Article 6.1(h) of the Constitution.
Procurement	There are no Procurement issues associated with this recommendation.
Human resources	There are no Human Resources implications associated with this recommendation.
Property	Whilst this recommendation directly impacts on property, there will be no impact on the property infrastructure. The only implication is that the reporting of any FF&E defects will be via

	the mainstream NCC defect reporting scheme, rather than the bespoke PFI scheme system. The majority of the issues identified will continue to be managed by the NFRS Estates and Contracts Manager.
The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified There are no Equality implications associated with this recommendation, therefore no requirement for an Equality Impact Assessment to be conducted.
Risk assessment	An initial risk assessment was conducted when this proposal was considered by NFRS Service Leadership Team. There will be no significant risk to NCC. The risk assessment is provided with this paper.
Crime and disorder	No crime and disorder implications have been identified.
Customer considerations	There will be no direct change for customers of NCC/NFRS. However, approval of this recommendation will identify efficiency savings for NCC, which may result in improved customer services elsewhere in the Authority.
Carbon reduction	There will be no changes to the current carbon emissions identifiable from this recommendation.
Health and wellbeing	There are no Health and Wellbeing issues associated with this recommendation.
Wards	(All Wards);

8. Background papers

Northumberland Fire & Rescue Service (NFRS) Service Leadership Team (SLT) Report of the Estates Manager – NEFRA PFI – Removal of Loose FF&E from Contract dated 24th June 2021.
Risk Assessment.
NFRS SLT minutes of meeting 24th June 2021.
NFRS SLT Decision Log.
Deed of Variation.

9. Links to other key reports already published

Not applicable.

10. Author and Contact Details

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