

# NWIFCA Quarterly Meeting

18<sup>th</sup> September: 11.00 a.m.

AGENDA

ITEM NO.

8

## SUPPLEMENTARY REPORT

### NWIFCA PATROL VESSEL PROCUREMENT ISSUES PAPER AND UPDATE FROM LANCASHIRE COUNTY COUNCIL

#### **Background**

1. Discussions around the replacement of the vessel commenced back in 2012, following a formal written request from NWIFCA to its constituent authorities for contributions to purchase a replacement vessel, which would have placed an additional financial burden on them at a time when budgets were under greater scrutiny and significant financial savings were having to be met as part of Central Government's austerity measures.
2. Following the expression of concerns, extensive debate and a few false starts over the intervening period, the vessel specification has been revised downwards to provide for a vessel which would 'do the job' and be constructed to a specification which allowed the vessel to be 'fit for purpose'. The budget available has also been revised downwards, starting out at around £3.6M mark but has now been reduced to £1.3M.
3. The specification to which the Constituent Authorities agreed was issued in January 2015 and passed across to the county council's legal and procurement team in April 2015. Following a massive restructuring exercise, key officers who had been leading the exercise for the County Council and who had been involved in discussions and negotiations since the outset departed their posts, meaning new officers had to be found and appointed internally to manage the process.
4. There is recognition that this has led to further delays in commencing procurement of the vessel, for which an apology has already been made.

#### **Budget and Specification Issues**

5. The budget envelope for the replacement vessel is £1.3M, which is proposed to be made up of up of £700K from NWIFCA reserves, with the remaining £600K proposed to be met by the County Council, and lease payment terms agreed with NWIFCA over a fixed period, as yet to be determined.
6. The budget projection made by NWIFCA is based on the following assumptions:
  - Delivery in late 2015, which it is clear will now not happen
  - NWIFCA cannot increase the Local Authority levy above 2% per annum already agreed.
  - Repayments must be made from existing budget including annual 2% increases as above.
7. As there has been a delay, NWIFCA reserves are not being spent this year, and as there was slight underspend in 2014-5 budget, the £1.3M may be increased to £1.45M.
8. The other factor for consideration is that prices may have risen in the intervening period.
9. It has also recently come to light that concerns remain that tenders for the spec agreed by the Authority may be significantly over budget. Based on evidence collected, (table 2

Annex 1 Paper to Vessel Committee September 2014) tenders for the agreed spec would be expected in the range £2.0-2.5M

### **Issues Arising**

10. It is considered that as the NWIFCA has a defined maximum budget for the vessel, then a spec must be agreed that can be procured within this budget.
11. LCC are unable to take anything forward until this has been formally agreed as to do so would generate a cost to the Authority that it cannot accept until clarity is provided.
12. The exemplifications provided in the document attached at Annex 1 remain valid so can be used to inform a decision.
13. The implications of a leasing arrangement and the annual costs therein are clearly shown in Annex 1 and should be the key data the committee uses in determining the available budget.
14. If purchase is delayed and further reserves are built up then there remains an option for an outright 'cash' purchase avoiding a leasing arrangement which then removes the ongoing annual cost shown in the analysis. Clearly this limits the available purchase budget considerably but it does remove the annual burden on the revenue budget which may be considered attractive. In view of this the committee may want to consider cutting its cloth accordingly to facilitate such an approach.

### **Recommendation**

The NWIFCA is therefore recommended to:

1. Produce a specification and funding mechanism for Members and Constituent Authorities to consider, against the available budget,
2. Request from the same confirmation in writing, that their Authority is prepared to agree to this specification and budget (within a reasonable timeframe and by a prescribed deadline), and
3. Share the outcome of the consultation exercise with constituent authorities and their Members both in writing and at the next meeting in December 2015

### **Future Actions**

1. Subject to the identification and approval of a preferred option, establishment of a Project Steering Group to include LCC key officers and Stephen Atkins, CEO, NWIFCA
2. The purpose of the Steering Group will be to inform and support the pre-tender consultation process, Invitation to Tender, Procurement through to Award of Contract.
3. Meeting of the steering group to take place in Preston on a quarterly basis, first meeting to take place towards the end of November, a few weeks in advance of the NWIFCA meeting and adopting the same approach to timetabling going forward.
4. Following the meeting of the Steering Group, a project update paper be prepared and submitted to the NWIFCA, thereby fulfilling the requirement to keep all Members of the NWIFCA informed and an updated reported to every meeting.

**Lancashire County Council**  
**17<sup>th</sup> September 2015**