

6. Proposed Options for Bromsgrove Fire Station

Purpose of report

1. To advise the Policy and Resources Committee of options to fund a replacement for Bromsgrove Fire Station and approve a preferred option for funding the project, which considers improved financial efficiencies for the Authority and potential partner organisations.

Recommendation

The Chief Fire Officer and Treasurer recommend that:

- i) the Policy and Resources Committee agree to officers of the Service continuing work with West Mercia Police to pursue an option to lease a new Fire Station in Bromsgrove as part of a new Fire/Police Station owned by West Mercia Police; and***
- ii) a further report is brought to this Committee to seek appropriate permissions prior to the contractual stage of this project being reached.***

Background

2. Bromsgrove Fire Station occupies a large site linked to a Worcestershire County Council building. This property is subject to a flying freehold from the County building and is of a brick structure with a flat built up felt roof. The fabric of the property is generally poor, particularly the flat roof. Hot water, heating and electricity is taken from the County building, which is not the most energy efficient arrangement. The site contains a self contained annex, Amphlett Court, which is currently leased to a third party.
3. Maintenance work could continue on the building: the current maintenance strategy has indicated maintenance costs of £0.246m over the next 5 years, up to £0.322m at 10 years. However this work will only delay the essential need to provide new accommodation that is fit for purpose and complies with legislation such as the Disability Discrimination Act (DDA) and energy efficiency best practice. The Fire and Rescue Authority has recognised this need as part of the Asset Management Plan approved in 2009.
4. In 2007 Worcestershire County Council and Bromsgrove District Council arranged a public sector stakeholder meeting to review the public estate ownership and strategy for Bromsgrove. This resulted in a groundbreaking study being undertaken by Worcestershire County Council to map and review where public sector properties were positioned in that area. Hereford & Worcester Fire and Rescue Service and West Mercia Police were actively engaged in this process and the results of the study mapped out a plan for rationalisation of the public sector estate in Bromsgrove. This included a proposal for a combined Police and Fire station.

5. The whole process was seen as a success in joint working by all stakeholders involved as part of the national 'Total Place' initiative. Total Place in Worcestershire is one of the successful national pilots and the Worcestershire Partnership has been granted 'Pathfinder' status for leading in this area. The FRA can be justifiably proud of the contribution that Hereford & Worcester Fire and Rescue Service has made in supporting this excellent achievement.

Current Status and Options

6. West Mercia Police has secured a potential new site for a joint Police and Fire Station, subject to planning approval. West Mercia Police has confirmed an opportunity for this new site, where they own the freehold title and asset liability for the site, with the option for the Fire Service to lease space. Under the Total Place initiative, it is hoped that efficiencies can be gained from collaboration and sharing sites through co-location and this proposal for a joint Police and Fire station has been put forward as a Total Place Pathfinder project.
7. Initial draft designs for the new Police and Fire Station have progressed well and would realise significant financial efficiencies in day to day running costs. The proposed footprint of the building includes a shared reception, meeting room, toilets, gym, canteen / rest room, plant rooms, as well as shared infrastructure benefits such as a single heating system. The proposed improvement of facilities will enable better community access to fire safety and other advice by the use of a shared reception funded by the Police with dedicated front desk provision; this is currently unavailable.
8. West Mercia Police have provided initial estimates of expected lease costs to enable Hereford & Worcester Fire and Rescue Authority to decide on a preferred option. Leasing from the Police would eliminate the maintenance liability for the FRA over the lifecycle of occupancy and would provide a fixed, guaranteed revenue cost. However, this option would not provide the FRA with an asset at the end of the term.
9. The option remains for Hereford & Worcester Fire and Rescue Authority to locate to a potential new site and build a new fire station independently of any partner agencies. However, there have been no alternative sites identified and it is unlikely that another acceptable location will be identified in the foreseeable future.
10. Building on the existing site would not be cost effective: the temporary relocation of the station's operational function would be cost prohibitive and there is an estimated increase in capital receipt if the site is included in a wider sale including the surrounding Worcestershire County Council areas. The capital receipt value is currently estimated to be 25% higher if the Fire Service site is sold as part of a combined site.
11. The 'Flying Freehold' is unclear in its legal application and it would not be advisable to proceed on the existing site unless a firm ownership of freehold could be established. The Amphlett Court annex would need significant work to the infrastructure to ensure continued use, either for our staff or as a income income source.
12. Refurbishing the existing building is not a practical or financially viable option due to the return on investment profiled against extension of the life cycle of the

building; this has been researched as part of the up coming Asset Management Plan. In addition, the capital receipt issues highlighted in paragraph 10 above still apply.

13. A further opportunity for a reciprocal arrangement with the Police has been identified for Redditch. It is proposed that West Mercia Police would lease a redeveloped site at the current location for Redditch Fire Station. This site would be owned by Hereford & Worcester Fire and Rescue Authority as an asset and space would be leased from the FRA, by the Police. This has already been approved in principle by the West Mercia Police senior management team and will be included in the Total Place Pathfinder national business case for Bromsgrove and Redditch, although at this stage this proposal is an aspiration without any firm commitment from the FRA.

Financial Options

14. The options below explore the overall life cycle costs of two leasing options for a joint site (proposed in draft by West Mercia Police), and the option for the FRA to fund a stand alone project. These options include the cost of borrowing the capital and revenue cost, calculated over a 60 year period.
15. Option 1 – lease only basis - proposed indicative leasing gives an overall life cycle cost of £13.1m.
16. Option 2 – H&WFRA £1m contribution to build cost plus annual lease - gives a lower overall lease cost of £9.8m, but the cost of financing the FRA contribution over the same period would be £3.3m, bringing the overall life cycle cost) to £13.1m.
17. Option 3 – FRA Capital Scheme – the most recent design estimate to construct a separate fire station on an alternative site, where land purchase has been estimated at £0.850m, indicates an overall life cycle cost of £16.9m, although the FRA retains ownership of the asset.
18. The leasing options 1 and 2 have a significant difference in cost in comparison to option 3, because in the case of the joint site, the building maintenance and refurbishment liability will rest with the Police at no extra cost to the FRA, whereas during the life cycle of an FRA asset, there would be a maintenance liability that would need to be funded by the FRA, in addition to the costs of a new site if one were available.
19. If the lease option were to be adopted there would be an appropriate reduction in the IRMP capital budget and corresponding adjustment in the revenue budgets. The proposed project would require no overall additional funding above existing capital and revenue budgets.

Risks and Opportunities

20. Leasing a site owned by the Police would provide savings in project management costs for a capital scheme, maintenance costs throughout the life cycle of the building and significant efficiencies relating to utilities and energy management (for example, by using one heating system rather than two). It would also reduce the facilities management of one building, which would be required under an ownership model. The capital receipt of any site would be lost

through not owning the freehold of the asset: however, this is only of value if the asset is not replaced in the future and needs to be judged on the values highlighted above (current capital receipt value versus cost of borrowing).

21. The initial lease model proposed by the Police is based upon an agreement for an initial period of 30 years with an option to extend for a further 30 years. This provides an element of guarantee to the FRA, for budget provision moving forward.
22. Control of the maintenance of the building would not lie with the FRA and options to break away from the agreement are not defined at present. Further work needs to be undertaken to augment the detail of the leasing proposal and provide reassurance to the FRA that the offer provides security for the Service.
23. The full options are summarised in the table below:

Options	Initial Capital Cost	Revenue Cost (60 yrs)	Risks	Opportunities
a) Do nothing	£0M	£0.3M (over 10 yrs) + options b), c), d), or e)	Would have to rebuild after 10 years anyway. Non-sustainable.	
b) Refurbish on existing site	£1.600M	£0.4M (over 15 yrs) + options c), d), or e)	Would have to rebuild after 15 years anyway. Not feasible due to freehold status and miss opportunity for increased capital receipt. Limited sustainability.	
c) Lease a new development owned by West Mercia Police	£0M	£13.1M	No freehold ownership of asset.	No asset maintenance liability, over life cycle. Public estate savings through energy efficiencies, from shared utilities and infrastructure. Improved sustainability. Vastly improved community access facilities, through front desk provision by the Police. Increased capital receipt.
d) Rebuild new fire station on existing site	(included in life cycle costs*) + temporary relocation costs	£17.8M	Freehold issues. Miss opportunity for increased capital receipt.	Improved sustainability.
e) Rebuild new fire station on new site	(included in life cycle costs*)	£16.9M	Lack of appropriate sites identified.	Increased capital receipt. Improved sustainability.

*includes cost of borrowing

Conclusion/Summary

24. It is recommended that the Authority agrees to officers of the Service continuing working with West Mercia Police, with the intent of pursuing the option to lease a new Fire Station location from a site owned by West Mercia Police. This is summarised as option 'c' in the table above.
25. A further report will be brought to this committee to seek appropriate permission to enter the contractual stage of this project.

Corporate Considerations

26. A Business Impact Analysis form is attached at Appendix 1 to measure and address the proposals contained in this report. The form contains information on the potential resource implications, legal issues, strategic policy links, equality/ethical issues and risk management implications.

Supporting Information

Appendix 1 – Business Impact Assessment Form

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