

meeting	<b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY</b>	
	<b>FINANCE AND RESOURCES COMMITTEE</b>	
date	<b>13 JULY 2007</b>	agenda item number

## **REPORT OF CHIEF FIRE OFFICER**

### **CAPITAL MONITORING REPORT – PERIOD 2 ENDED 31 MAY 2007**

#### **1. PURPOSE OF REPORT**

To report to the Finance and Resources Committee on Capital Programme progress in the year 2007/08 to the end of May 2007. This report analyses significant variances against the original programme.

#### **2. BACKGROUND**

Budget monitoring is a key aspect of financial management for the Authority. Regular reporting of spending against both the revenue and capital budgets to the Strategic Management Team and to Members is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities. The capital monitoring statement is shown as Appendix A to this report. Revenue budget monitoring is the subject of a report elsewhere on this agenda.

#### **3. REPORT**

##### **3.1 SUMMARY**

3.1.1 The capital budget monitoring statement is showing an underspend against the budget for the year of -£9,174k. This underspend includes the 2006/07 slippage of -£1,344k, which was approved for carry forward at the Combined Fire Authority Meeting on the 29 June 2007. This slippage will be allocated to projects after final consultation with the relevant budget holders.

3.1.2 It is important to understand that within the context of Capital Monitoring it would be highly unusual for large underspendings not to be reported in the first two months of the year as the first two months actual spending is being matched against an annual budget. For this reason, future capital monitoring reports will be adjusted to create an actual and anticipated spend comparison.

##### **3.2 SIGNIFICANT VARIANCES**

3.2.1 Transport is underspent by -£2,365k. Eight fire appliances were ordered in 2006/07 and have been built to specification over the last few months. The first five have been fitted with equipment and delivered. The remaining three appliances will arrive in Nottinghamshire over the next few weeks and the slippage from 2006/07 of -£1,187k mainly relates to the new appliances ordered in 2006/07. The overall transport capital budget is expected to be spent in full on the ongoing replacement programme for fire appliances and small vehicles.

3.2.2 Specialist equipment is currently underspent by -£214k, however -£137k relates to slippage from 2006/07. The estimated outturn on this budget is not expected, at this stage, to be overspent. Every appliance is being fitted with hydraulic rescue

equipment and some with ultra heavy rescue equipment. Additional equipment required for water rescue will also be purchased.

- 3.2.3 Property is currently underspent by -£4,943k, primarily due to the fact that the building of the new fire station at Hassocks Lane is not due to start until later in the year. The approximate build schedule is as now as follows:-

July 2007	Selection of Contractor
Sept 2007	Construction on site
Sept 2008	End of construction on site
Aug 2007	Sale of Dunkirk Fire Station
Sept 2008	Sale of Beeston Fire Station

The overspend from 2006/07 of £468k represents the amount spent above the outturn estimated during the budget process. This occurred on projects relating to the new fire station at Hassocks Lane and minor works. The Hassocks Lane overspend is accelerated expenditure from 2007/08 and will have no overall financial impact. The overspend on minor works, which have arisen for various reasons, will impact on this year's capital programme and the budget holder will be considering this issue over the next month. Further detail about how this will be addressed will be reported to Members next quarter.

- 3.2.4 Information Technology is currently under spending by -£1,652k, with -£468k relating to slippage from 2006/07. Detailed work is underway to determine the likely outturn expenditure for each IT / Communications project and the outcome of this will be reported at the next Finance and Resources Committee. Although no expenditure is showing as at the end of May, key projects are in progress e.g. improvements to the HR system (Retained availability); Incident Recording System and replacement of UPS batteries.

### **3.3 CAPITAL FINANCING**

- 3.3.1 Option appraisals will be carried out as and when required, in conjunction with Sector, our treasury management advisers, to determine whether or not leasing is the most appropriate way of funding transport and IT assets. For the premises capital programme, an assessment has been made of outgoing cash flows and we will be working with Sector to determine the optimum time in the year to borrow.

## **4. FINANCIAL IMPLICATIONS**

The financial implications are set out within the body of the report.

## **5. PERSONNEL IMPLICATIONS**

There are no personnel implications arising from this report.

## **6. EQUALITY IMPACT ASSESSMENT**

There is no impact on equality issues arising from this report.

## **7. RISK MANAGEMENT IMPLICATIONS**

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure as are the management actions which are stimulated by

such reporting. Finance division staff work collaboratively with budget holders in monitoring capital budgets and financial performance.

**8. RECOMMENDATIONS**

That Members note the contents of this report.

**9. BACKGROUND PAPERS FOR INSPECTION**

None.

Frank Swann  
**CHIEF FIRE OFFICER**

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**Capital Budget Monitoring as at 31 May 2007**

	<b><u>Budget</u></b> <b><u>2007/08</u></b> <b><u>£000's</u></b>	<b><u>Slippage</u></b> <b><u>2006-07</u></b> <b><u>virements</u></b> <b><u>2007-08</u></b>	<b><u>Revised</u></b> <b><u>Budget</u></b> <b><u>2007-08</u></b>	<b><u>Actual</u></b> <b><u>£000's</u></b>	<b><u>-Under/</u></b> <b><u>Over</u></b> <b><u>£000's</u></b>
<b>Transport</b>					
Small vehicles	288	0	288	-8	-296
LGV Training Vehicle	70	0	70	0	-70
Rescue Pump Replacement Programme	1,183	0	1,183	361	-822
Special Appliances	0	0		10	10
Slippage from 2006-2007	0	1,187	1,187	0	-1,187
	<b>1,541</b>	<b>1,187</b>	<b>2,728</b>	<b>363</b>	<b>-2,365</b>
<b>Property</b>					
Harworth					
Headquarters Extension	436	0	436	69	-367
Community Safety Premises	10	0	10	1	-9
Beeston/Dunkirk	3,320	0	3,320	52	-3,268
Beeston/Dunkirk	400	0	400	0	-400
SDC Garage	100	0	100	0	-100
Collingham Refurb	120	0	120	0	-120
Workshop	70	0	70	0	-70
Retford	75	0	75	0	-75
Carlton	140	0	140	0	-140
HQ - Stores	50	0	50	0	-50
Minor Schemes	400	0	400	47	-353
Fuel Tank Renewal	250	0	250	0	-250
Retentions	25	0	25	0	-25
Security upgrade project - all premises	170	0	170	0	-170
Signage for Stations	0	0	0	7	7
Slippage from 2006-2007	0	-448	-448	0	448
	<b>5,566</b>	<b>-448</b>	<b>5,118</b>	<b>175</b>	<b>-4,943</b>
<b>Equipment</b>					
Specialist Rescue Equipment	80	0	80	3	-77
Slippage From 2006-2007	0	137	137	0	-137
	<b>80</b>	<b>137</b>	<b>217</b>	<b>3</b>	<b>-214</b>

	<u>Budget</u> <u>2007/08</u> <u>£000's</u>	<u>Slippage</u> <u>2006-07</u> <u>virements</u> <u>2007-08</u>	<u>Revised</u> <u>Budget</u> <u>2007-08</u>	<u>Actual</u> <u>£000's</u>	<u>-Under/</u> <u>Over</u> <u>£000's</u>
<b>I.T &amp; Communications</b>					
Infrastructure Refreshment	0	0	0	0	
HR System	100	0	100	0	-100
IT Security and Business Continuity	205	0	205	0	-205
Information Systems Developments	20	0	20	0	-20
Wifi Networking	30	0	30	0	-30
EISEC Caller Line Identification	0	0	0	0	
Mobile Computing	200	0	200	0	-200
Business Expansion	100	0	100	0	-100
Replacement Equipment	200	0	200	46	-154
Incident Recording System	40	0	40	0	-40
WAN Upgrade	50	0	50	0	-50
Workflow Business Process Automation	150	0	150	0	-150
Upgrade Station Telephones	10	0	10	0	-10
Replace UPS batteries	10	0	10	0	-10
New FEM database	15	0	15	0	-15
Firelink Add ons	100	0	100	0	-100
Slippage From 2006-2007	0	468	468	0	-468
	<b>1,230</b>	<b>468</b>	<b>1,698</b>	<b>46</b>	<b>-1,652</b>
<b>Total</b>	<b>8,417</b>	<b>1,344</b>	<b>9,761</b>	<b>587</b>	<b>-9,174</b>

### Capital Financing

As the Authority is now subject to the Prudential Code, rather than the highly centralised issue of credit approvals, the flexibility exists for a number of capital financing options to be explored. The revenue implications of the capital programme at this stage are based on the most likely capital financing methods rather than those which will actually be employed.

Throughout the period covered by the capital programme, it will be necessary to carry out detailed options analyses before deciding on the precise manner of financing, be that operating leasing, finance leasing, revenue financing or borrowing.