



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
FINANCE AND RESOURCES COMMITTEE

CAPITAL MONITORING REPORT TO 29 FEBRUARY 2008

Report of the Chief Fire Officer

Agenda Item:

Date: 4 April 2008

Purpose of Report:

To report to Members on Capital Programme progress in the year 2007/08 to the end of February 2008. This report analyses significant variances against the original programme.

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1. BACKGROUND

Budget monitoring is a key aspect of financial management for the Fire and Rescue 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.

2. REPORT

SUMMARY

- 2.1 The capital budget monitoring statement is showing a projected underspend against the budget for the year of -£4,464k. The budget for the year includes the 2006/07 slippage of -£1,344k, which was approved for carry forward at the Authority meeting on 29 June 2007. The revenue implications of the projected underspend have been included in the most recent revenue budget monitoring report.

SIGNIFICANT VARIANCES

- 2.2 The transport budget is underspent by -£1,753k. In 2006/07 there was a delay in receiving the new Scania fire appliances attributable to the move to Euro 4 engines producing lower emissions. Slippage from 2006/07 has been brought forward and payments for these vehicles have now been made. The Incident Command vehicle has been ordered and the estimated delivery date is June 2008. The LGV Training vehicle has been ordered and the estimated delivery date is August 2008, so the budget will need to be slipped to 2008/09. With regard to the 2007/08 programme for replacing rescue pumping appliances, there is now a requirement to carry out a “mini-tender” exercise to procure within the FireBuy framework agreement. This results in a longer lead time for the purchase of appliances and this, coupled with the global shortage of commercial chassis, will mean significant slippage into 2008/09. Orders have been placed for small vehicles and, although delivery dates are not confirmed, it is expected that delivery will be within this financial year and expenditure will match the budget. The overall projected underspend for transport is -£1,751k.
- 2.3 The specialist equipment budget is currently underspent by -£21k. The outturn on this budget is not expected, at this stage, to be underspent. 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.
- 2.4 The property budget is currently underspent by -£3,149k, with a projected outturn underspend of -£1,419k primarily due to the fact that the building of the new fire station at Hassocks Lane was delayed. Work has now

commenced and the contractors are on site. There is a separate report on this agenda dealing specifically with this project.

- 2.5 The Headquarters extension is projected to overspend its original budget in total by £794k, due to unforeseen problems plus a change from the project's original scope, which did not envisage alterations to the Strategic Management Suite, extensive landscaping, new furniture or a storage building. This has been reported previously to the Finance and Resources Committee. The overspend is covered by slippage within the Transport, Property and Information and Communications Technology (ICT) capital budgets. It must be emphasised that this overspend does not relate to a project overspend, but an overspend on the original budget sum which was for a much smaller project.
- 2.6 The revenue implications of these changes and the slippage have been addressed in the 2008/09 budget process. The Highfields project is projected to overspend its original budget as already reported to this Committee. However, this overspend will materialise in future years and has been addressed in the future years' budgets. This year's budget for Highfields is expected to underspend by -£2,178k due to the delay in commencing building works. The unspent budget will be slipped into 2008/09.
- 2.7 Several projects are in the early stages and professional fees have been incurred. The Procurement and Estates Department has been reviewing the Service's property and assessing the work required to our buildings. Work has been done to reprioritise these projects in light of the overspend on minor works in 2006/07 and the projected spends on Collingham. Work will now not be undertaken for Worksop, Retford and Carlton in this year and these underspends will be used to support the Collingham project. The fuel tank renewal project will not be completed in this year.
- 2.8 The Information and Communications Technology budget is currently under spending by -£1,389k. Key projects are in progress – eg: improvements to the human resources system, the Incident Recording System and the replacement equipment programme. Some projects are expected to be delayed and to slip wholly or partially into 2008/09 – these include the security and business continuity project, mobile computing and additional equipment relating to the roll out of Firelink. This has been reflected in the estimated outturns. Work has been carried out during the 2008/2009 budget process to analyse the slippage brought forward from 2006/07 and determine the spending requirement. This has been reflected in the ICT Capital Programme for 2008/09. The ICT Strategy was reported to Policy and Strategy Committee in February 2008.

CAPITAL FINANCING

- 2.9 Option appraisals will be carried out as and when required, in conjunction with Sector, the Service's treasury management advisers, to determine whether or not leasing is the most appropriate way of funding transport and ICT assets. For the premises capital programme, an assessment has been

made of outgoing cash flows and work is being undertaken with Sector to determine the optimum time in the year to borrow.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITY IMPACT ASSESSMENT

Whilst ordinarily an initial equality impact assessment would not have been carried out on a monitoring report, one is attached at Appendix B to show that there is no impact on equalities due to a delay in building schemes which are partially designed to meet equality objectives.

6. CRIME AND DISORDER IMPLICATIONS

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

7. RISK MANAGEMENT IMPLICATIONS

FINANCIAL RISK

7.1 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.

Specific risks inherent within this report are:

- Risk of overspending on any given project;
- Risk of overspending against the whole capital programme;
- Risk of significant underspends.

7.2 There are small overspend risks in relation to the purchase of new fire appliances, in that the quotations from Scania exceed the amounts that had been budgeted. However, this is not a significant issue and has been taken into account by balancing off against some underspends in the light vehicle fleet.

- 7.3 The property programme is where the highest risk of overspends against individual projects will lie. The increased costs of the Highfields and the Headquarters projects have been managed and reported to Members. Other smaller capital projects are expected to underspend which will mean that the programme overall will be balanced.
- 7.4 The ICT budget does not present a high risk of overspending as there are no major projects in progress. The concern in this area relates to the capacity of the ICT function to deliver against this £1.7m programme. The business plans of the ICT Department reflect the level of project work taking place and are monitored regularly. If it becomes clear that projects will have to be delayed due to capacity problems, this will be reported and managed.
- 7.5 Again the main risks to the capital programme would appear to be ones relating to underspending rather than overspending overall. Close liaison between finance staff and budget holders will seek to monitor, evaluate and report on this position.

CORPORATE RISK

- 7.6 This is the risk of not completing a given capital project either on time, or at all, and the impact that may have on the organisation and its corporate objectives.
- 7.7 An examination of the capital programme shows that there are a number of projects which are key to the achievement of corporate objectives. That is not to imply however, that other projects are not also important in supporting those objectives.
- 7.8 These key projects are:
- Highfields new station;
 - Security upgrade;
 - Replacement pumping appliances;
 - Specialist rescue equipment;
 - Replacement IT equipment;
 - IT security and business continuity.
- 7.9 Building work on the Highfields project has now commenced and will run for a period of twelve months. The commercial aspects of site acquisition and the sale of the land at Dunkirk and Beeston are now completed. Due to delays in the start date of the building works, it is possible that the new building may not be available before the long stop date negotiated for the vacant possession of the Dunkirk site is required. This will mean that some contingency planning will need to be carried out to manage the overall risks to the Service which may arise.
- 7.10 The security upgrade has commenced ; it is anticipated that this will be a relatively straightforward task which will progress around all stations beginning in January 2008.

- 7.11 Progress with the replacement of pumping appliances is gathering pace and orders have been placed relating to 2007/08 and 2008/09 deliveries. This will not prevent manufacturer delays and these are now more likely to occur due to the global shortage of chassis. The alternative would be to seek extensions to existing lease arrangements which are usually granted. The appliances being replaced are usually twelve years old but their design life is fifteen years, thus providing the Service with some resilience should this occur. In order to manage this risk further into 2008/09 early orders have been placed for chassis to attempt to ensure supply.
- 7.12 New arrangements for Road Traffic Collision response rely to some extent on the purchase of specialist equipment for the ultra heavy rescue appliances. This equipment has been specific and is readily available from suppliers. It can be purchased once the modifications have been made to the vehicles that will carry it. It should be emphasised that there is no degradation of service during this period as the Service is still equipped to a very high level.
- 7.13 Replacement of IT equipment carries a low risk as there is little work involved in this beyond the preparation and installation of replacement equipment. There is therefore little or no technical risk as all hardware is for known and tested applications.
- 7.14 IT security and business continuity represents the highest risk category. Corporately the organisation depends heavily on the use of IT, not just for administrative functions, but also for the deployment and management of front line services. A failure of business continuity or security may jeopardise these services. There are already some processes around both security and business continuity and this project represents the improvement of these. Again this project is within the business plan of the IT Department and is monitored regularly.

8. RECOMMENDATIONS

That Members note the contents of the report.

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

None.

Frank Swann
CHIEF FIRE OFFICER

Capital Budget Monitoring as at February 2008

Appendix A

| | <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> | <u>Estimated</u> <u>Outturn</u> <u>£000's</u> | <u>Outturn</u> <u>Variance</u> <u>£000's</u> |
|-----------------------------------------|--------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------|--------------------------------|------------------------------------------------|-----------------------------------------------------|----------------------------------------------------|
| Transport | | | | | | | |
| Small vehicles | 288 | 0 | 288 | 286 | -2 | 288 | |
| LGV Training Vehicle | 70 | 0 | 70 | | -70 | 0 | -70 |
| Rescue Pump Replacement Programme | 1,183 | 0 | 1,183 | 660 | -523 | 660 | -523 |
| Special Appliances | 0 | 0 | 0 | 29 | 29 | 29 | 29 |
| Slippage from 2006-2007 | 0 | 1,187 | 1,187 | | -1,187 | 0 | -1,187 |
| | 1,541 | 1,187 | 2,728 | 975 | -1,753 | 977 | -1,751 |
| Property | | | | | | | |
| Headquarters Extension | 436 | 0 | 436 | 970 | 534 | 1,230 | 794 |
| Community Safety Premises | 10 | 0 | 10 | 20 | 10 | 20 | 10 |
| Hassocks Lane | 3,720 | 0 | 3,720 | 444 | -3,276 | 1,542 | -2,178 |
| SDC Garage | 100 | 0 | 100 | | -100 | 0 | -100 |
| Collingham Refurb | 120 | 0 | 120 | 340 | 220 | 340 | 220 |
| Worksop | 70 | 0 | 70 | | -70 | 10 | -60 |
| Retford | 75 | 0 | 75 | | -75 | 3 | -72 |
| Carlton | 140 | 0 | 140 | | -140 | 2 | -138 |
| HQ - Stores | 50 | 0 | 50 | 23 | -27 | 62 | 12 |
| Minor Schemes | 400 | 0 | 400 | 116 | -284 | 391 | -9 |
| Fuel Tank Renewal | 250 | 0 | 250 | 2 | -248 | 13 | -237 |
| Retentions | 25 | 0 | 25 | 14 | -11 | 26 | 1 |
| Security upgrade project - all premises | 170 | 0 | 170 | | -170 | 20 | -150 |
| Signage for Stations | 0 | 0 | 0 | 40 | 12 | 40 | 40 |
| Slippage from 2006-2007 | 0 | -448 | -448 | | 448 | | 448 |
| | 5,566 | -448 | 5,118 | 1,969 | -3,149 | 3,699 | -1,419 |
| Equipment | | | | | | | |
| Specialist Rescue Equipment | 80 | 0 | 80 | 191 | 111 | 80 | 0 |
| Slippage From 2006-2007 | 0 | 137 | 137 | 5 | -132 | 137 | 0 |
| | 80 | 137 | 217 | 196 | -21 | 217 | 0 |
| I.T & Communications | | | | | | | |
| Infrastructure Refreshment | 0 | 0 | 0 | | | 0 | |
| HR System | 100 | 0 | 100 | 40 | -60 | 45 | -55 |
| IT Security and Business Continuity | 205 | 0 | 205 | 54 | -151 | 54 | -151 |
| Information Systems Developments | 20 | 0 | 20 | 18 | -2 | 18 | 2 |
| Wifi Networking | 30 | 0 | 30 | | -30 | 0 | -30 |
| EISEC Caller Line Identification | 0 | 0 | 0 | | | 0 | |
| Mobile Computing | 200 | 0 | 200 | 3 | -197 | 3 | -197 |
| Business Expansion | 100 | 0 | 100 | 41 | -59 | 50 | -50 |
| Replacement Equipment | 200 | 0 | 200 | 94 | -106 | 95 | -105 |
| Incident Recording System | 40 | 0 | 40 | | -40 | 40 | |
| WAN Upgrade | 50 | 0 | 50 | 5 | -46 | 50 | |
| Workflow Business Process Automation | 150 | 0 | 150 | 21 | -129 | 21 | -129 |
| Upgrade Station Telephones | 10 | 0 | 10 | | -10 | | -10 |
| Replace UPS batteries | 10 | 0 | 10 | 6 | -4 | 6 | -4 |
| New FEM database | 15 | 0 | 15 | | -15 | 0 | -15 |
| Firelink Add ons | 100 | 0 | 100 | | -100 | 0 | -100 |
| Asset Management System | 0 | 0 | 0 | 26 | 26 | 22 | 22 |
| Slippage From 2006-2007 | 0 | 468 | 468 | | -468 | 0 | -468 |
| | 1,230 | 468 | 1,698 | 309 | -1,389 | 404 | -1,294 |
| Total | 8,417 | 1,344 | 9,761 | 3,449 | -6,312 | 5,297 | -4,464 |

INITIAL EQUALITY IMPACT ASSESSMENT

| <i>Section</i> Finance | <i>Manager</i> Sue Cornish | Date of Assessment 06/02/08 | New or Existing N/A |
|---------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------|------------------------|
| Name of Report to be assessed | | CAPITAL BUDGET MONITORING REPORT - PERIOD 29 FEBRUARY 2008 | |
| 1. Briefly describe the aims, objectives and purpose of the report. | | This report analyses significant variances against the original capital programme. | |
| 2. Who is intended to benefit from this report and what are the outcomes? | | Members of Finance and Resources Committee will be informed of the financial position on capital budgets. | |
| 3. Who are the main stakeholders in relation to the report? | | Members of Finance and Resources Committee. | |
| 4. Who implements and who is responsible for the report? | | Senior Accountant. | |

5. Please identify the differential impact in the terms of the six strands below. Please tick yes if you have identified any differential impacts. Please state evidence of negative or positive impacts below.

| <i>STRAND</i> | Y | N | <i>NEGATIVE IMPACT</i> | <i>POSITIVE IMPACT</i> |
|--------------------|----------|----------|------------------------|------------------------|
| Race | | N | | |
| Gender | | N | | |
| Disability | | N | | |
| Religion or Belief | | N | | |
| Sexuality | | N | | |
| Age | | N | | |

| | | | | | |
|------------------------------------------------------------------------------------------------------------|----------|----------|-------------------------------------------------------------------|----------|----------|
| 6. Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group? | Y | N | 7. Should the policy/service proceed to a full impact assessment? | Y | N |
| | | | | | |

I am satisfied that this policy has been successfully impact assessed. I understand the impact assessment of this policy is a statutory obligation and that, as owners of this policy, we take responsibility for the completion and quality of this process.

Signed (completing person)...Sue Cornish.....

Date 6/2/208.....