



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

CAPITAL MONITORING REPORT – TO 30 JUNE 2008

Report of the Chief Fire Officer

Date: 25 July 2008

Purpose of Report:

To report to the Members on Capital Programme progress in the year 2008/09 to the end of June 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 -£430k all of which is in the property programme and is explained in paragraph 2.5 below. The budget for the year includes the 2007/08 slippage of -£1,302k, which is significantly lower than the sum approved by Members to be carried forward at the final accounts meeting on 27 June 2008. The requirement for this slippage has been subsequently reviewed with capital budget holders and reduced as a result.

SIGNIFICANT VARIANCES

- 2.2 The Rescue Pump replacement programme of £2,835k is for the purchase of 11 appliances. The chassis are pre-ordered, but the body build element has yet to be awarded. The chassis are expected to be delivered by September 2008, and completion should be in the current financial year, although there may be some slippage as the final delivery of completed appliances will be around the time of the end of the financial year. At this stage, no slippage has been assumed and this position will be updated as the year progresses. The Incident Command vehicle chassis has been delivered, and the conversion is expected to be complete by October 2008. The LGV Training vehicle has been ordered, and the estimated delivery date is August 2008, the conversion is expected to be complete by February 2009. Orders are now being placed for a number of 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 Outreach vehicle specification is now being drawn up and this will be tendered in September 2008. It is expected to be delivered in the current financial year. The overall estimated outturn for transport is £3,594k which is the budgeted sum.
- 2.3 The Specialist equipment budget has not yet started spending. It will mainly be used to replace worn out equipment as part of a rolling replacement programme.
- 2.4 The Property budget for the year is currently showing an underspend of £2,401k, however this is against the total annual budget. There is a small projected outturn underspend of -£430k.

- 2.5 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 reprioritising projects as necessary. The refurbishments of Southwell and Ashfield Fire Stations will not start until 2009/10. In addition, the project to refurbish the Smoke House at SDC was completed in 2007/08 at a reduced cost and the budget included in the 2008/09 programme is not required. At this stage, the budget for essential repairs pending strategic rebuilds is also likely to underspend as the rebuilds programme gathers pace.
- 2.6 Offsetting these underspends is some projected expenditure above the level originally budgeted for at Stapleford and Warsop Fire Stations. This has arisen because budgets are set before survey work is carried out and the extent of work required can sometimes be greater than anticipated.
- 2.7 The Information and Communications Technology budget is currently under spending by -£822k against the annual budget. Key projects are in progress e.g. improvements to the HR system, the Incident Recording System and the replacement equipment programme. Some projects were delayed in 2007/08 and have been slipped wholly or partially into 2008/09 – these include the HR System, Security & Business Continuity project, Mobile Computing, Incident Recording System, WAN Upgrade and Business Process Automation.

CAPITAL FINANCING

- 2.8 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 are working with Sector to determine the optimum time in the year to borrow.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITY IMPACT ASSESSMENT

The initial equality impact assessment is attached at Appendix B. There are no equality issues arising from this report.

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 Hassocks Lane project 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 the £830k 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 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 that other projects are not important in supporting those objectives.
- 7.8 These key projects are:
- Highfields new Fire Station
 - Security Upgrade
 - Fuel Tank Renewal
 - Replacement Pumping Appliances
 - Replacement IT Equipment
 - IT Security and Business Continuity
- 7.9 Building work on the Highfields Fire Station project has now commenced and will run for a period of 12 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. The project risk register was updated in June 2008 and controls are in place to help manage the risks.
- 7.10 The security upgrade has commenced and is nearly complete at Headquarters. Rollout to all stations will begin in July 2008.
- 7.11 The project to renew fuel tanks across the service started in April 2008. A survey of sites is currently being undertaken and a specification should be ready by the end of August 2008.
- 7.12 Progress with the replacement of pumping appliances is gathering pace and orders have been placed relating to 2008/09 deliveries. To ensure chassis delivery in the scheduled replacement year, orders will be placed in this year for 2009/10 and 2010/11 appliances.
- 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

Appendix A

Capital Budget Monitoring as at June 2008

	<u>2008/09</u> <u>Approved</u> <u>Budget</u>	<u>2007/08</u> <u>Slippage</u>	<u>2008/09</u> <u>Revised</u> <u>Budget</u>	<u>Actual</u>	<u>-Under</u> <u>/Over</u>	<u>Estimated</u> <u>Outturn</u>	<u>Outturn</u> <u>Variance</u>
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
TRANSPORT							
Rescue Pump replacement programme	2,835		2,835		-2,835	2,835	
Special Appliances	240		240		-240	240	
Community Safety Outreach Vehicle	100		100		-100	100	
Small vehicle replacement programme	292		292	73	-219	292	
Conversion of 2 second hand vehicles	37		37		-37	37	
LGV Training Vehicle	90		90		-90	90	
	3,594		3,594	73	-3,521	3,594	
PROPERTY							
Fuel tank renewal	250		250		-250	250	
Security Upgrade	150		150	6	-144	150	
Highfields - Land and Building Works	6,104	689	6,793	826	-5,967	6,793	
Highfields - Capital receipts	-5,400		-5,400		5,400	-5,400	
Headquarters	0		0	34	34	34	34
<u>Station Improvements</u>							
SDC Smoke house	75		75		-75	0	-75
Southwell Fire station	200		200	2	-198	0	-198
Stapleford Fire Station	200		200	2	-199	264	64
Ashfield Fire Station	175		175		-175	0	-175
W Bridgford stores	33		33		-33	35	2
Clifton phase 2	75		75		-75	50	-25
Warsop Fire Station	133		133	10	-123	200	67
Battery Chargers 110 volt	15		15		-15	0	-15
Mansfield Reception	42		42		-42	0	-42
Essential repairs	60	147	207		-207	60	-147
Professional Fees	150		150	3	-147	150	
Building Improvements	75		75		-75	75	
Model Station Design	30		30		-30	30	
Worksop	0	70	70		-70	150	80
Retentions	0	11	11		-11	11	
	2,367	917	3,284	883	-2,401	2,852	-430
SPECIALIST EQUIPMENT							
Specialist rescue equipment	30		30	-1	-31	30	
	30		30	-1	-31	30	

	<u>2008/09</u> <u>Approved</u> <u>Budget</u>	<u>2007/08</u> <u>Slippage</u>	<u>2008/09</u> <u>Revised</u> <u>Budget</u>	<u>Actual</u>	<u>-Under</u> <u>/Over</u>	<u>Estimated</u> <u>Outturn</u>	<u>Outturn</u> <u>Variance</u>
IT. & COMMUNICATIONS							
Business Continuity & Disaster Recovery	105	42	147	-1	-148	147	
Mobile Computing	50		50		-50	50	
Business Process Automation	75		75		-75	75	
FireLink Add Ons	100		100		-100	100	
Business Expansion	40		40	2	-38	40	
Replacement Equipment	60		60	7	-53	60	
Business Process Automation	15		15		-15	15	
HR System	0	58	58		-58	58	
Mobile Computing	0	147	147		-147	147	
Incident Recording System	0	40	40		-40	40	
Wan Upgrade	0	45	45		-45	45	
Workflow Business Process Automation	0	53	53		-53	53	
	445	385	830	8	-822	830	
GRAND TOTAL	6,437	1,302	7,739	963	-6,777	7,332	-430

INITIAL EQUALITY IMPACT ASSESSMENT

<i>Section</i> Finance	<i>Manager</i> Sue Cornish	Date of Assessment 06/06/08	New or Existing N/A
Name of Report to be assessed		Capital Budget Monitoring Report - Period 03 June 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?		Tracey Stevenson 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
		N			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)...Tracey Stevenson.....

Date 7/7/2008.....