



NOTTINGHAMSHIRE

Fire & Rescue Service

Creating Safer Communities

Nottinghamshire and City of Nottingham

Fire and Rescue Authority

Finance and Resources Committee

CAPITAL BUDGET MONITORING REPORT TO 30 NOVEMBER 2009

Report of the Chief Fire Officer

Agenda Item No:

Date:

08 January 2009

Purpose of Report:

To report to Members on Capital Programme progress in the year 2009/10 to the end of November 2009. 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 & Rescue Authority. Regular reporting of spending against both the revenue and capital budgets 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 an underspend to date of £3,784k, against the budget for the year of £7,682k. The budget for the year includes slippage of £2,137k brought forward from 2008/09. The capital monitoring statement shows projected outturn variances relating to projects in the capital programme. However in total a projected underspend of £591k is shown for the programme by the end of the year. This underspend is mainly due to slippage in the capital programme and the budget will need to be carried forward into 2010/11, this has been addressed in the development of the 2010/11 budget proposal.
- 2.2 Other projects have overspent in 2009/10 and further details are given in the report. The Authority has received a capital grant of £738k this year and this will be used to finance the East Leake refurbishment that has been accelerated from 2010/11, and other projects which have incurred expenditure to improve facilities for female firefighters and access for disabled people.

SIGNIFICANT VARIANCES

TRANSPORT:

- 2.3 The Rescue Pump replacement programme of £2m is for the completion of 11 appliances from the 2008/09 programme and 4 appliances for 2009/10. The first 11 appliances have been delivered, 6 are operational and the remaining 5 are expected to be operational by the end of December 2009. The four chassis for 2009/10 have been delivered and the vehicles are expected to be fully built by February 2010. Orders have now been placed for the purchase of the 4 rescue pumps due in 2010/11, and the chassis delivery is expected in December 2009. The estimated outturn overspend of £210k has arisen for two reasons, £156k as a result of the exchange rate loss suffered due to adverse exchange movements in respect of the euro, and £56k due to an increase of 7.5% on the Firebuy prices of the 4 appliances for this financial year. These increases were not known at the time the budget was drawn up.
- 2.4 A specification is being drawn up for the purchase of the Water Carrier (Special Appliance) and is expected to be complete by January 2010. The Incident

Command Vehicle is on station and undergoing final modification. It is expected to be operational by January 2010.

2.5 The Outreach Vehicle specification has been finalised, the tender has been awarded and is expected to be complete by February 2010.

2.6 The incident Welfare Support unit has been delivered and is now in build with delivery expected in January 2010.

EQUIPMENT:

2.7 New gym equipment is currently being rolled out across Stations. £178k has been invested in this replacement programme and will be financed from the earmarked reserve held for capital and other one-off items.

PROPERTY:

2.8 The Property programme for the year is currently showing an underspend to date of £1,997k. An element of "over-programming" has taken place, in anticipation of some projects slipping into 2010/11. This will be reported on further as the year progresses.

2.9 The project to refurbish East Leake fire station (£390k) has been accelerated from 2010/11 and this will be financed from the capital grant of £738k received from the department for Communities and Local Government.

2.10 Phase 2 of the Southwell fire station refurbishment commenced in February 2009 with an estimated outturn of £379k in 2009/10. The overspend on the project relates to drainage and environmental work being addressed in response to changed legislation

2.11 Tuxford fire station refurbishment is currently showing an estimated outturn of £100k in 2009/10, with £200k being slipped into 2010/11. Approval for the project to commence was given at the Fire Authority meeting on 4 September 2009. A budget of £450k will be required for 2010/11 in addition to the slippage and this will be incorporated in the 2010/11 budget process.

2.12 Carlton fire station is currently showing an estimated outturn of £520k in 2009/10, and the underspend of £1,305k will be slipped into 2010/11. The tenders have been received from six contractors, and the contract will be awarded by the end of December. The build is anticipated to be completed in the later quarter of 2010/11.

2.13 Stapleford Fire station is currently showing an overspend of £86k. This relates to the external resurfacing, which was not anticipated during the main refurbishment that was carried out in 2008/09.

2.14 Mansfield Fire Station is currently showing an estimated outturn of £25k in 2009/10, which relates to work carried out on the reception area, It is proposed that this be financed by a revenue contribution, as this work was additional to

the main contract work, and below the capital de minimis level. The £300k budget that relates to the main refurbishment will be carried forward into 2010/11. The estimated outturn for the whole project is anticipated to be £350k and this will be incorporated into the 2010/11 budget process.

- 2.15 Headquarters is currently showing an outturn of £139k, which relates to the additional redecoration and reorganisation of the IT and Communications department. It is proposed that this will be financed by a revenue contribution.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

- 2.16 The Information and Communications Technology budget is currently under spending by £796k to date against the annual budget. Key projects are in progress e.g. the Replacement Equipment Programme. Some projects were delayed in 2008/09 and have been slipped into 2009/10 – these include the Business Continuity & Disaster Recovery project, Mobile Computing, Business Process Automation and Fire Link.
- 2.17 The ongoing Business Continuity and Disaster Recovery project has made significant progress and the server has been delivered. Consultants have been contracted to implement the project, and the first stage is now complete with work currently underway on phase 2. This project is anticipated to be complete by the end of the financial year.
- 2.18 The Business Process Automation project is now in progress and Consultants have been appointed. There will be some slippage on this project which will be completed in 2010/11.
- 2.19 The Mobile Computing project is in progress and is anticipated to be completed this financial year.
- 2.20 The replacement HR system project has now commenced and the full requirements for a new system are expected to be completed by January 2010. An update on this project will be given next quarter.
- 2.21 The Regional Finance System project “go live” date has been extended to 1st July 2010 for Nottinghamshire and Leicestershire. The implementation for Derbyshire will follow. The project is expected to overspend by £33k as the final tenders came in above the sum originally budgeted for.
- 2.22 The Firelink (phase 2) project is complete with all radios fitted in the appliances. The overall cost of the project is not anticipated to be overspent at this stage; however, the final invoice has not been received.

CAPITAL FINANCING

- 2.23 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 financing 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 to finance these projects.

2.24 A capital grant of £738k has been received from the department for Communities and Local Government and will be used to partially finance the property capital programme, which incorporates extreme modifications in respect of equalities.

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 or learning and development implications arising directly from this report.

5. EQUALITY IMPACT ASSESSMENT

There are no equality implications arising directly from this report.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

FINANCIAL RISK

8.1 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.
- 8.2 The property programme is where the highest risk of overspends against individual projects will lie. To counteract this it is possible to slip other projects forward to ensure that the programme in any one year is affordable.
- 8.3 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 £1,011k 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.
- 8.4 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

- 8.5 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.
- 8.6 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.
- 8.7 These key projects are:
- Carton fire station rebuild
 - East Leake fire station refurbishment
 - Tuxford fire station refurbishment
 - Replacement pumping appliances
 - Replacement IT equipment
 - IT Security and Business Continuity
- 8.8 Progress with the replacement of pumping appliances ongoing and orders have been placed for 2010/11.
- 8.9 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.
- 8.10 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.

9. RECOMMENDATIONS

- 9.1 That Members note the contents of this report.
- 9.2 That Members approve the use of the revenue contributions to finance Headquarters and Mansfield fire station reception area.

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

None.

Frank Swann
CHIEF FIRE OFFICER

| Capital Budget Monitoring as at November 2009 | | | | Appendix A | | | |
|--|--|-------------------------------|---------------------------------------|-------------------|-------------------------|------------------------------|-----------------------------|
| | 2009/10 Approved Budget | 2008/2009 Slippage | Revised Budget 2009/10 | Actual | -Under /Over | Estimated Outturn | Outturn Variance |
| | £000's | | | £000's | £000's | £000's | £000's |
| TRANSPORT | | | | | | | |
| Rescue Pump replacement programme | 982 | 1,018 | 2,000 | 1,533 | -467 | 2,210 | 210 |
| Special Appliances | 155 | 197 | 352 | 32 | -320 | 352 | |
| Community Safety Outreach Vehicle | 0 | 100 | 100 | 34 | -66 | 100 | |
| Small vehicle replacement programme | 363 | 43 | 406 | 134 | -272 | 406 | |
| Appliance CCTV Camera System | 48 | 30 | 78 | 76 | -2 | 78 | |
| | 1,548 | 1,388 | 2,936 | 1,810 | -1,126 | 3,146 | 210 |
| PROPERTY | | | | | | | |
| Hassocks Lane - Land and Building Works | 118 | | 118 | 239 | 121 | 239 | 121 |
| | | | | | | | |
| <u>Station Improvements</u> | | | | | | | |
| East Leake Fire Station | | | | 116 | 116 | 390 | 390 |
| Southwell Fire station | 262 | | 262 | 394 | 132 | 379 | 117 |
| Worksop Fire Station | | | | 14 | 14 | 14 | 14 |
| Warsop Fire Station | 0 | | | 7 | 7 | 10 | 10 |
| Misterton Fire Station | 300 | | 300 | 316 | 16 | 355 | 55 |
| Stockhill Fire station | 75 | | 75 | 4 | -71 | 98 | 23 |
| Tuxford Fire Station | 300 | | 300 | 1 | -299 | 100 | -200 |
| Carlton Rebuild | 1,825 | | 1,825 | 287 | -1,538 | 520 | -1,305 |
| Other Costs | 40 | | 40 | 20 | -20 | 40 | |

| | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|---------------|--------------|-------------|--|--|
| Mansfield Fire Station | 300 | | 300 | | -300 | 25 | -275 | | |
| Professional Fees | 191 | | 191 | | -191 | 200 | 9 | | |
| Fuel Tank Renewal | | 52 | 52 | 72 | 20 | 175 | 123 | | |
| Retentions | 80 | | 80 | | -80 | | -80 | | |
| Stapleford Fire Station | | | | 86 | 86 | 86 | 86 | | |
| Battery Chargers | | 15 | 15 | | -15 | 40 | 25 | | |
| Bingham Barn | | 148 | 148 | | -148 | 0 | -148 | | |
| Security Upgrade | | | | 14 | 14 | 108 | 108 | | |
| Head Quarters | | | | 139 | 139 | 139 | 139 | | |
| | 3,490 | 215 | 3,705 | 1,709 | 1,997 | 2,918 | -788 | | |
| Gym Equipment | 0 | | 0 | 164 | 164 | 178 | 178 | | |
| Specilist Rescue Equipment | 0 | 30 | 30 | | -30 | | -30 | | |
| | | 30 | 30 | 164 | 134 | 178 | 148 | | |
| IT. & COMMUNICATIONS | | | | | | | | | |
| Business Continuity & Disaster Recovery | 75 | 85 | 160 | 61 | -99 | 160 | | | |
| Business Process Automation | 0 | 128 | 128 | | -128 | 53 | -75 | | |
| Information Systems Developments | 17 | | 17 | 3 | -14 | 16 | -1 | | |
| Mobile Computing | 15 | 143 | 158 | 22 | -136 | 131 | -27 | | |
| HR System | 60 | 58 | 118 | | -118 | 25 | -93 | | |
| Regional Finance System | 150 | | 150 | 2 | -148 | 183 | 33 | | |
| Business Expansion | 40 | | 40 | 37 | -3 | 42 | 2 | | |
| Replacement Equipment | 150 | | 150 | 74 | -76 | 153 | 3 | | |
| Fire Link | 0 | 90 | 90 | 2 | -88 | 72 | -18 | | |
| Wan Upgrade | | | | 14 | 14 | 14 | 14 | | |
| | 507 | 504 | 1,011 | 215 | -796 | 849 | -162 | | |
| GRAND TOTAL | 5,545 | 2,137 | 7,682 | 3,898 | -3,784 | 7,091 | -591 | | |
| To Be Financed By : | | | | | | | | | |
| Capital Grant | -738 | | -738 | | | | -738 | | |