



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 28 FEBRUARY 2010

Report of the Chief Fire Officer

Date: 09 April 2010

Purpose of Report:

To report to Members on Capital Programme progress in the year 2009/10 to the end of February 2010. 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 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 £2,501k, 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. In total a projected underspend of £924k is shown for the programme by the end of the year.
- 2.2 Managers have identified underspends on certain projects which will need to be carried forward into 2010/11. This slippage has been included in the development of the 2010/11 budget proposal and its revenue implications. Further details of slippage are given for each area of the capital programme in the main body of the report.
- 2.3 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 which has been accelerated from 2010/11, and other projects which have incurred expenditure to improve facilities for female firefighters and access for disabled people.
- 2.4 Finance and Resources Committee on 8 January 2010 approved £250k of contributions from the revenue budget to finance some projects. Further details are given in the main body of the report.

SIGNIFICANT VARIANCES

TRANSPORT:

- 2.5 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, 10 are operational and the final appliance will be allocated to the Service Development Centre in early March, before transferring to Carlton upon the completion of the new fire station. The four chassis for 2009/10 have been delivered and the vehicles are expected to be fully built by April 2010. Orders have now been placed for the purchase of 4 rescue pumps due in 2010/11, and the chassis have been delivered. 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.

- 2.6 A specification is being drawn up for the purchase of the Water Carrier (Special Appliance) and is expected to be complete by November 2010. The Incident Command Vehicle is on station and undergoing final modification and is expected to be operational by April 2010. The Breathing Apparatus Unit specification is being drawn up and the estimated outturn underspend of £261k will be slipped into 2010/11.
- 2.7 The Outreach Vehicle specification has been finalised, the tender has been awarded and the vehicle is expected to be delivered in March 2010.
- 2.8 The incident Welfare Support unit has been delivered and is now in build with delivery expected in March 2010.
- 2.9 The small vehicles estimated outturn underspend of £180k is due to the delay in placing of orders following the light vehicle review. This will be slipped into 2010/11: all of the orders have now been placed and delivery is expected in early in 2010/11.

EQUIPMENT:

- 2.10 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:

- 2.11 The Property programme for the year is currently showing an underspend to date of £1,621k. An element of "over-programming" has taken place, in anticipation of some projects slipping into 2010/11.
- 2.12 The project to refurbish East Leake fire station (£436k) 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. The refurbishment project is ongoing with completion of all works now expected by March 2010 (previously February). The change to the completion date is due to the lead-in time for the external cladding of the building.
- 2.13 Southwell fire station refurbishment (phase 2) was largely completed in November 2009 with an estimated outturn of £435k in 2009/10. The overspend on the project relates to drainage and environmental work being addressed in response to changed legislation. The only outstanding item of work yet to be finished is the final connection of the surface water storage tank serving the rear yard to the main sewer; this is subject to consent from NCC Highways.
- 2.14 Tuxford fire station refurbishment is currently showing an estimated outturn of £100k in 2009/10, with £200k being slipped into 2010/11 and added to the 2010/11 budget. The planning application for Tuxford has been submitted and a decision is expected mid March. The contractor is due to start works as soon as planning permission has been received. The estimated completion date, subject to the works starting in March 2010, is December 2010. The

motorised gate, fencing and the standby generator have been recovered from the old Carlton Fire Station for re-use at Tuxford. The project outturn has been capped at £750k.

- 2.15 Carlton fire station is currently showing an estimated outturn of £620k in 2009/10 (this includes £200k for works to the EMAS building). The refurbishment and alteration works to the EMAS building as temporary accommodation is now complete and Carlton Fire Station staff are operating from the building. The underspend of £1,205k will be slipped into 2010/11. Tenders have been received from six contractors, and the contract has been awarded. The build is anticipated to be completed in the latter quarter of 2010/11.
- 2.16 Stapleford fire station is currently showing an overspend of £87k. This relates to the external resurfacing, which was not anticipated during the main refurbishment that was carried out in 2008/09. It was approved at Finance and Resources Committee on 8 January 2010 that this would be funded by a contribution of £86k from the revenue budget.
- 2.17 Mansfield fire station reception work is currently showing an estimated outturn of £25k in 2009/10, which relates to modification works to provide an increased level of security to the main fire station reception: it was approved at the Finance and Resources Committee on 8 January 2010 that this would be funded by a contribution from revenue.
- 2.18 Mansfield former BTS refurbishment: the £300k budget will be carried forward into 2010/11. The estimated outturn for the whole refurbishment contract sum is anticipated to be £360k and this has been incorporated into the 2010/11 budget process. The design has been agreed and is currently under tender with an anticipated start date of April 2010. The estimated completion date is August 2010 based on the current scope of the project.
- 2.19 Headquarters is currently showing an outturn of £145k, which relates to the additional redecoration and reorganisation of the IT and Communications Department. It was approved at the Finance and Resources Committee on 8 January 2010 that this would be funded by a contribution of £145k from the revenue budget.
- 2.20 In 2009/10 there has been a combination of over programming, projects slipping and project overspends. The resulting overspend in 2009/10 will be mostly financed by a total revenue contribution of £250k and a capital grant of £738k, thereby negating the impact on future years' revenue budgets. The revenue implications have been included in the 2010/11 budget.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

- 2.21 The Information and Communications Technology budget is currently under spending by £654k 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.

- 2.22 The ongoing Business Continuity and Disaster Recovery project has made significant progress. 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 early 2010/11.
- 2.23 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.
- 2.24 The Mobile Computing project is in progress and is anticipated to be completed early 2010/11.
- 2.25 The replacement HR system project has now commenced and the full requirements for a new system are in the process of being drawn up.
- 2.26 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 £30k as the final tenders came in above the sum originally budgeted for. This has been taken into account in the budget workings for 2010/11 onwards.
- 2.27 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

- 2.28 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 so far this year, £3m of borrowings have been taken to finance part of the total programme.
- 2.29 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 extensive 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:
- Carlton 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 is 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

That Members note the contents of this report.

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

None.

Frank Swann
CHIEF FIRE OFFICER

	<u>2009/10 Approved Budget</u>	<u>2008/2009 Slippage</u>	<u>Revised Budget 2009/10</u>	<u>Actual 2009/10</u>	<u>-Under /Over 2009/10</u>	<u>Estimated Outturn</u>	<u>Outturn Variance</u>
	£000's			£000's	£000's	£000's	£000's
TRANSPORT							
Rescue Pump replacement programme	982	1,018	2,000	2,087	87	2,210	210
Special Appliances	155	197	352	91	-261	91	-261
Community Safety Outreach Vehicle	0	100	100	65	-35	100	
Small vehicle replacement programme	363	43	406	226	-180	226	-180
Appliance CCTV Camera System	48	30	78	101	23	78	
	1,548	1,388	2,936	2,570	-366	2,705	-231
PROPERTY							
Hassocks Lane - Land and Building Works	118		118	247	129	247	129
<i>Station Improvements</i>							
East Leake Fire Station				307	307	436	436
Southwell Fire station	262		262	394	132	435	173
Worksop Fire Station				33	33	33	33
Warsop Fire Station	0			7	7	10	10
Misterton Fire Station	300		300	350	50	355	55
Stockhill Fire station	75		75	4	-71	98	23
Tuxford Fire Station	300		300	37	-263	100	-200
Carlton Rebuild	1,825		1,825	343	-1,482	620	-1,205
Other Costs	40		40	31	-9	40	
Mansfield Fire Station	300		300	-4	-304	25	-275
Professional Fees	191		191	12	-179	200	9
Fuel Tank Renewal		52	52	75	23	175	123
Retentions	80		80	1	-79		-80
Stapleford Fire Station				87	87	87	87
Battery Chargers		15	15		-15	40	25
Bingham Barn		148	148		-148	0	-148
Security Upgrade				14	14	108	108
Head Quarters				145	145	145	145
	3,490	215	3,705	2,085	-1,621	3,154	-552
Gym Equipment	0		0	169	169	178	178
Specialist Rescue Equipment	0	30	30		-30		-30
	0	30	30	169	139	178	148
IT. & COMMUNICATIONS							
Business Continuity & Disaster Recovery	75	85	160	71	-89	160	
Business Process Automation	0	128	128	2	-126	53	-75
Information Systems Developments	17		17	14	-3	16	-1
Mobile Computing	15	143	158	24	-134	131	-27
HR System	60	58	118		-118	0	-118
Regional Finance System	150		150	76	-74	74	-76
Business Expansion	40		40	51	11	56	16
Replacement Equipment	150		150	100	-50	145	-5
Fire Link	0	90	90	5	-85	72	-18
Wan Upgrade				14	14	14	14
	507	504	1,011	357	-654	721	-290
GRAND TOTAL	5,545	2,137	7,682	5,181	-2,501	6,758	-924
To Be Financed By :							
Capital Grant	-738		-738				-738
Capital receipt	0		0	-7			-7