



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 2011

Report of the Chief Fire Officer

Date:

1 April 2011

Purpose of Report:

To report to Members on Capital Programme progress in the year 2010/11 to the end of February 2011. 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 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 £2,174k, against the budget for the year of £7,652k. The budget for the year includes slippage of £2,986k brought forward from 2009/10. The capital monitoring statement shows projected outturn variances relating to projects in the capital programme. In total a projected underspend of £113k is shown for the programme by the end of the year.
- 2.2 In 2009/10 certain projects were delayed against the capital programme and this slippage has been included in the main 2010/11 budget monitoring report. Members of Finance and Resources Committee approved the slippage brought forward on 15 October 2010.
- 2.3 The Authority has received a capital grant of £946k this year and this will be used to finance an element of the capital programme.

SIGNIFICANT VARIANCES

TRANSPORT:

- 2.4 The Rescue Pump replacement programme of £1.1m is for the completion of four appliances in 2010/11. The four chassis for 2010/11 are completed and inspections have been carried out, they are anticipated to be operational at the end of March 2011. All associated equipment that goes with these vehicles has been delivered.
- 2.5 The chassis for the two new Specialist Rescue Units (Special Appliances) have been delivered to the bodybuilder, with completion expected by April 2011. Two Rapid Response Unit van chassis have been delivered and the conversion work has commenced, with completion anticipated in April 2011. Preliminary designs for the Water/Foam Unit bodywork are in progress so that the specification can be finalised for the purposes of a mini-competition process.

- 2.6 Members agreed, at the Finance and Resources Meeting on 15 October 2010, to the purchase of an Aerial Ladder Platform appliance (ALP). A vehicle has been identified for purchase, a safety inspection is in progress and it is anticipated that the vehicle will be operational by the end of March 2011. The ALP will cost £94k and will be financed by a contribution from the revenue budget underspend.
- 2.7 The majority of new small vehicles for 2010/11 have been delivered and the remaining light vehicles are expected by the end of April which completes all the planned 2010/11 acquisitions, including a new Fire Investigation Unit which will enter service in the next few weeks.

PROPERTY:

- 2.8 The Property programme for the year is currently showing an underspend to date of £593k.
- 2.9 The Stockhill fire station refurbishment has overspent by £36k due to the upgrade of the roof specification to allow access for training that was not in the original specification.
- 2.10 Tuxford fire station refurbishment is currently showing an estimated outturn of £728k in 2010/11. The £750k budget for the main build of the project was phased over 2009/10 and 2010/11. The £750k excluded professional fees (£45k) and drainage (circa £20k). The project was delayed in 2009/10 and £263k of the £300k budget was slipped into 2010/11. The provision of temporary accommodation for the retained fire crew is now complete and the fire station building is weatherproof with all external walls, roof and windows complete. Unfortunately, two soakaways were discovered on the site directly below the proposed foundations for the Appliance Bay. A Local Authority Building Control Officer instructed that the foundations be modified to take into account the presence of the soakaways and that new soakaways be installed on another part of the site. The financial impact of these instructions is being assessed and it is likely that the estimated outturn will increase as a result. The estimated completion date is June 2011.
- 2.11 Carlton fire station is currently showing an estimated outturn of £2,808k in 2010/11. The overall project was estimated at £3.5m over 3 years. The project slipped in 2009/10 which resulted in £1,248k being carried forward into 2010/11. The project was completed and handed over on 14 December 2010. Overall outturn is expected to be circa £3.35m giving a saving of around £150k; this will be subject to the agreement of the final account with the Contractor and the payment of all outstanding fees.
- 2.12 Carlton house has been occupied by the contractors during the build of Carlton Fire Station. Originally the house was to be refurbished and then advertised for sale on the open market. Consultants advised that it should be put on the market in its current state, the estimated income is expected to be

circa £50k to £60k (subject to the housing market), and the shortfall will be offset by the saving on the refurbishment.

- 2.13 Mansfield former BTS refurbishment: the project slipped in 2009/10 which resulted in £292k being carried forward into 2010/11. The overall contract cost is estimated at £413k including the telecoms provision (excluding fees and furniture) over 2 years for the whole refurbishment. There have been a number of problems with the project i.e. discovery of an unmarked mains electrical cable, discovery of additional asbestos which has now been removed, the replacement of the damp proof membrane to the floor where it had failed and the replacement of a flat roof where it was found that a structural deck had failed. The resolution of these problems has resulted in an overspend of £61k on the project. Completion was at the end of September 2010 and the building is now fully occupied.
- 2.14 Occupational Health unit refurbishment including the works for the provision of lockers for cyclists in the portakabin to the rear of the boiler house is now complete. The estimated project cost was £22k and subject to the agreement of the final account with the contractor is expected to be within budget.
- 2.15 Vehicle battery charging across all sites. It was planned that the existing 24 volt charging units across the NFRS Estate were to be replaced at an estimated cost of £45k. This project has recently been reviewed and it is estimated that the requirement for the charger replacement is £8k to £10k.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

- 2.16 The Information and Communications Technology budget is currently under spending by £568k to date against the annual budget. Key projects are in progress e.g. the Replacement Equipment Programme. Some projects were delayed in 2009/10 and have been slipped into 2010/11 – these include the Business Continuity and Disaster Recovery project, Mobile Computing, Business Process Automation and FireLink.
- 2.17 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. It is anticipated at this stage that this project will come in under budget with an estimated underspend of £15k.
- 2.18 The initial investigatory phase of the Business Process Automation project by consultants has now been completed. The project was delayed in 2009/10 and £120k was slipped into 2010/11. Work on the main project itself will commence in April 2011, there is unlikely to be significant expenditure in the current financial year and will be slipped into 2011/12.
- 2.19 The first three phases of the Mobile Computing project have been completed and the fourth and final phase is anticipated to be completed by April 2011; this project was delayed in 2009/10 and is anticipated to be slipped into 2011/12.

- 2.20 The Regional Finance System project “go live” for Leicestershire FRS and Nottinghamshire FRS has now been completed. The implementation for Derbyshire FRS will follow with a go live date of 1 April 2011. The project is expected to overspend by £30k as the final tenders came in above the sum originally budgeted for.
- 2.21 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 and £42k has been slipped into 2010/11.

CAPITAL FINANCING

- 2.22 Option appraisals will be carried out at the year end, 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 borrowing of £3m took place in September 2010. It is unlikely that any further loans will be taken in 2010/11 – financing of the remainder of capital expenditure will be by capital grant, revenue contributions and internal funds.
- 2.23 A capital grant of £946k has been received from the department for Communities and Local Government and will be used to partially finance the property capital programme.

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 £742k 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

- Tuxford fire station refurbishment
- Replacement pumping appliances
- Replacement IT equipment
- Business process automation

8.8 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.

8.9 Tuxford and Carlton Fire Station projects are running to schedule and not posing any corporate risk at present.

8.10 The Replacement of Appliances is running to schedule and not posing any corporate risk at present.

9. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

Frank Swann
CHEF FIRE OFFICER

								Appendix A			
Capital Budget Monitoring as at February 2011											
	<u>2010/11 Approved Budget</u>	<u>2009/2010 Slippage</u>	<u>Revised Budget 2009/10</u>	<u>Actual</u>	<u>- Under /Over</u>	<u>Estimated Outturn</u>	<u>Outturn Variance</u>				
	£000's			£000's	£000's	£000's	£000's				
TRANSPORT											
Rescue Pump replacement programme	1,104		1,104	798	-306	1,112	8				
Special Appliances	795	261	1,056	356	-700	1,150	94				
Community Safety Outreach Vehicle	0			20	20	7	7				
Small vehicle replacement programme	214	180	394	341	-53	394					
Appliance CCTV Camera System				10	10	10	10				
	2,113	441	2,554	1,524	-1,029	2,673	119				
PROPERTY											
Highfields Fire Station retentions	11		11	87	76	86	75				
<u>Station Improvements</u>											
East Leake Fire Station	10		10	12	2	12	2				
Southwell Fire station				11	11	15	15				

Misterton Fire Station	12		12	10	-2	12							
Stockhill Fire station	3	71	74	110	36	110	36						
Tuxford Fire Station	465	263	728	506	-222	728							
Carlton Rebuild	1,660	1,248	2,908	2,440	-468	2,758	-150						
Blidworth Fire Station	20		20		-20	20							
Mansfield Fire Station	60	292	352	413	61	413	61						
Professional Fees		189	189	105	-84	189							
Retentions	45		45		-45	45							
Fuel Tanks						27	27						
Battery Chargers	45		45		-45	10	-35						
Occupational Health Unit	22		22	11	-11	22							
Furniture and Fittings	40		40	59	19	59	19						
Sale of Carlton House	-100		-100		100	-50	50						
	2,293	2,063	4,356	3,763	-593	4,456	100						
Gym Equipment	0		0	16	16	16	16						
				16	16	16	16						
IT. & COMMUNICATIONS													
Business Continuity & Disaster Recovery	30	58	88	13	-75	73	-15						
Business Process Automation	25	120	145		-145		-145						
Information Systems Developments		1	1	9	8	19	18						
Mobile Computing		74	74	8	-66	8	-66						
HR System		105	105	7	-98	7	-98						
Regional Finance System	49	74	123	51	-72	153	30						
Business Expansion	40		40	12	-28	20	-20						
Replacement Equipment	90	8	98	58	-40	98							
Fire Link		42	42		-42		-42						
CFRMIS	26		26	17	-9	16	-10						
	260	482	742	174	-568	394	-348						
GRAND TOTAL	4,666	2,986	7,652	5,478	-2,174	7,539	-113						
To Be Financed By :													
Capital Grant	-946	0	-946	-946	0	-946	0						