



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 31 AUGUST 2011

Report of the Chief Fire Officer

Agenda Item No:

Date: 07 October 2011

Purpose of Report:

To report to Members on Capital Programme progress in the year 2011/12 to the end of August 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 £3,044k, against the budget for the year of £4,349k. The budget for the year includes slippage of £1,545k brought forward from 2010/11. The capital monitoring statement shows projected outturn variances relating to projects in the capital programme. In total a projected underspend of £28k is shown for the programme by the end of the year.
- 2.2 In 2010/11 certain projects were delayed against the capital programme and this slippage has been included in the main 2011/12 budget monitoring report. Members of Finance and Resources Committee approved the slippage brought forward on 8 July 2011.
- 2.3 The Authority has received a capital grant of £1,486k 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 £1.2m is for the completion of four appliances in 2011/12, which are anticipated to be delivered by the end of October 2011.
- 2.5 The two new Specialist Rescue Units (Special Appliances) have been delivered, and are expected to be operational by February 2012. Two Rapid Response Unit vans have been delivered and the conversion work has commenced, with completion anticipated by April 2012. All other special appliance projects have been put on hold pending the outcome of an options report to CMB.
- 2.6 The small vehicles for 2010/11 have been delivered although the final invoices are still outstanding. Light vehicle replacement for 2011/12 is currently on hold until the Fire Cover Review has been approved.

PROPERTY:

- 2.7 The Property programme for the year is currently showing an underspend to date of £1,034k.

- 2.8 Tuxford fire station refurbishment is currently showing an estimated outturn of £170k in 2011/12. The £750k budget for the main build of the project was phased over 2009/10 and 2010/11 and excluded professional fees (£45k) and drainage (circa £20k). During the build phase, problems with the soakaway and drainage were identified and this has resulted in an overspend on the project. At this stage, an overspend of £156k is estimated but the final account for the project has yet to be confirmed by the contractor. When it is, a full report will come to this committee explaining the overspend and making recommendations on how similar risks might be mitigated in the future. As far as possible, the remaining property projects within the capital programme will be managed to achieve underspends which will offset the overspend on the Tuxford project and ensure that there is no overall adverse impact on the revenue budget as a result of this project.
- 2.9 Carlton fire station was completed and handed over on 14 December 2010. Overall the outturn for the project is expected to be circa £3.35m, which is within budget. This will be subject to the agreement of the final account with the contractor and the payment of all outstanding fees.
- 2.10 Blidworth fire station refurbishment and extension is in the early stages of the project, with approval of the detailed design being signed off. The tenders are expected to be reviewed mid October 2011 and awarded to the successful contractor by the end of October 2011. The works are anticipated to commence mid November; the handover is anticipated to be completed March 2012. The reported outturn underspend of £65k will be slipped into 2012/13 to cover retention costs.
- 2.11 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 in 2010/11. This was partially achieved last year, with the remaining £37k slipped into the current year.
- 2.12 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 outturn of £6k is for the final payments of the project.
- 2.13 Station refurbishments are on hold until the outcome of the Fire Cover Review is known.
- 2.14 Sustainable energy project: this project was a late addition to the capital programme, approved by Finance and Resources Committee on 8 July 2011. Consultants have carried out a high level survey and identified potential sites. Estimates of likely costs and paybacks of the investments have been prepared and the tender process has commenced.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

- 2.15 The Information and Communications Technology budget is currently under spending by £713k to date against the annual budget. Some projects were delayed in 2010/11 and have been slipped into 2011/12 – these include the Regional Finance System, Business Process Automation and the HR Project.

- 2.16 The ongoing Business Continuity and Disaster Recovery project has made significant progress and is the final stages. Upon the receipt of additional software the project will be completed and this is anticipated to be before the end of the year.
- 2.17 The initial investigatory phase of the Business Process Automation project by consultants has now been completed. The project was delayed in 2009/10 and £145k was slipped into 2011/12. Work on the main project itself will commence later this year and there is likely to be significant expenditure in the current financial year.
- 2.18 The HR project has now commenced and a tender process is underway to appoint an external project manager who will also manage the procurement of the system. The successful contractor is expected to be appointed by the end of October 2011, with an anticipated project end date of April 2013.
- 2.19 The project to upgrade to Office 2010 is subject to a requirements assessment and feasibility study being completed. It is assumed at this stage that this will be done within the year.
- 2.20 The Regional Finance System project budget was slipped from 2010/11. The implementation is now complete and the project is expected to overspend by £30k as the final tenders came in above the sum originally budgeted for.
- 2.21 The Mobile Computing projects have been completed and all the invoices have been processed in 2010/2011, resulting in an underspend of £22k.

CAPITAL FINANCING

- 2.22 A loan of £3m was taken in 2010/11 to cover the medium term financial period. In 2010/11 a combination of capital grant, revenue contributions and internal financing resulted in only £984k of the loan being used to finance capital expenditure in the year. The remaining £2,016k has been invested and is available to finance the 2011/12 capital programme if required, or the 2012/13 programme. In addition, a revenue contribution of £2.514m has been budgeted in the current year - this will reduce ongoing revenue costs relating to the capital programme.
- 2.23 Option appraisals will be carried out at the year end, in conjunction with Sector, our treasury management advisers, to determine whether leasing or not is the most appropriate way of financing transport and ICT assets.
- 2.24 A capital grant of £1,486k has been received from the department for Communities and Local Government. It is recommended that £530k of this grant be used to finance the Sustainable Energy project, with the remaining £956k of grant being used to finance other property and ICT projects. Members of the Finance and Resources Committee approved the Sustainable Energy project on 8 July 2011, with the proviso that the project should not be financed from borrowing.

2.25 The Government is currently consulting on changes to the allocation of future capital grants to Fire and Rescue Authorities. It is likely that from 2012/13 capital grant funding will be distributed partly on a pro-rata basis, as is currently the case, and partly by way of an efficiency fund, which Authorities will have to submit bids for.

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. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

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, due to unforeseen problems encountered when building works start. 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 only presents a high risk of overspending where there are major projects in progress e.g. the replacement HR System. It is essential therefore to engage high quality project managers to mitigate this risk. There is also a concern that the ICT Department may not have the capacity to deliver against the £818k 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 Close liaison between finance staff and budget holders will seek to monitor, evaluate and report on the financial risk of overspends and underspends.

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:
- Blidworth fire station refurbishment
 - Replacement pumping appliances
 - Replacement IT equipment
 - HR System
- 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 Blidworth Fire Station project and the replacement of Appliances are running to schedule and not posing any corporate risk at present.
- 8.10 The replacement HR system is at an early stage and the organisation is able to continue to use the existing HR system to meet its key objectives in the meantime, although a new system will undoubtedly result in significant improvement to processes and management reporting.

9. RECOMMENDATIONS

- 9.1 That Members note the contents of this report.
- 9.2 That Members approve the financing of the Sustainable Energy project by capital grant.

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

None.

Frank Swann
CHEF FIRE OFFICER

Capital Budget Monitoring as at 31 August 2011

	<u>2011/12</u> <u>Approved</u> <u>Budget</u>	<u>2010/2011</u> <u>Slippage</u>	<u>Revised</u> <u>Budget</u> <u>2011/12</u>	<u>Actual</u>	<u>-</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	1,159	299	1,458	800	-658	1,458	0
Special Appliances	0	691	691	176	-515	691	0
Small vehicle replacement programme	79	46	125	0	-125	125	0
	<u>1,238</u>	<u>1,036</u>	<u>2,274</u>	<u>977</u>	<u>-1,297</u>	<u>2,274</u>	<u>0</u>
PROPERTY							
<u>Station Improvements</u>							
Stockhill Fire station	0	0	0	3	3	3	3
Tuxford Fire Station	0	14	14	165	151	170	156
Carlton Rebuild	0	100	100	0	-100	100	0
Blidworth Fire Station	450	20	470	35	-435	405	-65
Battery Chargers	0	37	37	0	-37	37	0
Occupational Health Unit	0	6	6	5	-1	6	0
Station Refurbishment.	100	0	100	6	-94	6	-94
	<u>550</u>	<u>177</u>	<u>727</u>	<u>213</u>	<u>-514</u>	<u>727</u>	<u>0</u>
Sustainable Energy Project	530	0	530	10	-520	530	0
	<u>530</u>	<u>0</u>	<u>530</u>	<u>10</u>	<u>-520</u>	<u>530</u>	<u>0</u>
IT. & COMMUNICATIONS							
<u>Business Continuity & Disaster Recovery</u>							
Business Process Automation	25	145	170	0	-170	170	0
Regional Finance System	0	72	72	67	-5	72	0
Mobile Computing	22	0	22	0	-22	0	-22
HR System	107	99	206	0	-206	206	0
Office 2010	150	0	150	0	-150	150	0
Business Expansion	35	0	35	4	-31	35	0
Replacement Equipment	90	0	90	7	-83	90	0
CFRMIS	27	16	43	5	-38	43	0
	<u>486</u>	<u>332</u>	<u>818</u>	<u>105</u>	<u>-713</u>	<u>796</u>	<u>-22</u>
GRAND TOTAL	<u>2,804</u>	<u>1,545</u>	<u>4,349</u>	<u>1,304</u>	<u>-3,044</u>	<u>4,327</u>	<u>-22</u>
To Be Financed By :							
Capital Grant	-1,486	0	-1,486	-1,486	0	-1,486	0