



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 JANUARY 2012

Report of the Chief Fire Officer

Date: 30 March 2012

Purpose of Report:

To report to Members on Capital Programme progress in the year 2011/12 to the end of January 2012. 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 £2,189k, 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 £1,214k 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 £1.4m is for the completion of two appliances from 2010/11 and four appliances in 2011/12, which are built but awaiting delivery of some equipment to the bodybuilder to enable some stowage amendments to be checked before delivery to the Service.
- 2.5 The two new Specialist Rescue Units (Special Appliances) have been delivered, and are expected to be operational by May 2012. Two Rapid Response Unit vans have been delivered and the first stage of conversion work has been completed. Changes to the specification are delaying the next stages of the conversion work which now require additional quotations but completion of the vehicle is still anticipated by late August 2012. With the outcomes of the FCR now known amendments to the original proposals for Special Appliances have now been agreed with the nominated representative of Response including an order of priority. It is anticipated that by partly utilising existing vehicles in a change of role expenditure on Special Appliances can be contained within the budget provision. Special Appliance expenditure this year amounts to 492k and with the 30k virement this will require 229k to be slipped in to 2012/13. With an extension to the expiry date

of the Firebuy framework agreement for aerial appliances the commencement of the process to procure a new aerial ladder platform appliance in 2013/14 has been moved to the front of the priority list. This allows the Service to take advantage of this opportunity and address the position of the ongoing reliability issues that both the Magirus platforms are continuing to give us. All other Special Appliance projects have been put on hold as a result of the aerial procurement and work on them will recommence in April and on receipt of a User Requirement signed off by the nominated Response representative.

- 2.6 Light vehicle replacement for 2011/12 has been suspended because of the Fire Cover Review and restructuring. This has resulted in £41k being slipped into 2012/2013.

PROPERTY:

- 2.7 The Property programme for the year is currently showing an underspend to date of £980k.
- 2.8 Tuxford fire station refurbishment is currently showing an estimated outturn of £207k 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. The final account for the project has now been confirmed by the contractor and results in an overspend of £165k on the project. A full report is presented elsewhere on this agenda 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 £3.25m, which is within budget (projected budget initially £3.5m). This will be subject to the agreement of the final account with the contractor and the payment of all outstanding fees; this should be finalised by July 2012.
- 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 have now been received and have come in over the predicted budget. A full report is presented elsewhere on this agenda detailing the project overspend and the future proposal of the project. If additional funding is agreed the works are anticipated to commence May 2012 and the handover is anticipated to be completed by October/November 2012. The reported outturn underspend of £423k will be slipped into 2012/13 to cover the final account sum and retention costs.
- 2.11 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 payment of the project.

- 2.12 Planning has now started for future projects as a result of the outcomes of the Fire Cover Review (FCR).
- 2.13 One of the works projects resulting from the FCR is the conversion of Edwinstowe Fire Station from a retained duty section (RDS) to a wholetime operational role. This change includes some significant building works and installation of equipment at the station. Planning for the project work is currently being carried out and it is estimated that the cost of the project will be in the region of £450k. This will be funded from the property capital budget.
- 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. The tenders have now been received and the project commenced in January 2012. There have been a number of planning difficulties during the project but these have in the main been resolved with the exception of Mansfield Fire Station where planning permission is still awaited. Estimates of likely costs and paybacks of the investments have been prepared and the estimated project outturn is £420k in this financial year with £110k being slipped into 2012/13.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

- 2.15 The Information and Communications Technology budget is currently under spending by £659k to date against the annual budget. Some projects were delayed in 2010/11 and have been slipped into 2011/12 – these include the Business Process Automation and the HR Project.
- 2.16 The ongoing Business Continuity and Disaster Recovery project has made significant progress and is in 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 Work on the Business Process Automation project will commence following an assessment of the impact of both the Tri-County joint mobilising project and the organisational re-structure. The project is now expected to commence in 2012/13 with the budget provision of £170k being slipped accordingly.
- 2.18 The HR project has now commenced and an external project manager has been appointed who will manage the procurement of the system. The project has been initiated but no expenditure is anticipated this financial year. An anticipated project end date of April 2013 is expected at this stage.
- 2.19 The project to upgrade to Office 2010 has been subject to a requirements assessment and feasibility study which has now been completed. The purchase of requisite software licences will be completed this year.
- 2.20 The Regional Finance System project budget was slipped from 2010/11. The implementation has now been completed.

- 2.21 Earlier phases of the Mobile Computing project have been completed. Software for the CFRMIS Operational Intelligence part of this project has been acquired and appropriate hardware trials are currently in progress. Purchase of the hardware will now fall in 2012/13.

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.

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 Although the Blidworth Fire Station project is currently behind schedule there is no corporate risk at present due to the overall underspending on the Capital Programme and the slippage of budget on the project into 2012/13.
- 8.9 The replacement of pumping appliances is running to schedule and not posing any corporate risk at present.
- 8.10 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.
- 8.11 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

That Members note the contents of this report.

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

None.

Frank Swann
CHIEF FIRE OFFICER

Appendix A

Capital Budget Monitoring as at January 2012

	<u>2011/12 Approved Budget</u>	<u>2010/2011 Slippage</u>	<u>Revised Budget 2011/12</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	1,129	307	1,436	1,304	-132	1,436	0
Special Appliances	30	691	721	373	-348	492	-229
Small vehicle replacement programme	79	46	125	84	-41	84	-41
	1,238	1,044	2,282	1,761	-521	2,012	-270
PROPERTY							
<u>Station Improvements</u>							
Stockhill Fire station	0	0	0	3	3	3	3
Tuxford Fire Station	0	43	43	165	122	207	164
Carlton Rebuild	0	100	100	35	-65	35	-65
Blidworth Fire Station	450	20	470	22	-448	47	-423
Occupational Health Unit	0	6	6	5	-1	6	0
Strategic New Builds Projects	0	0	0	6	6	6	6
Station Refurbishment.	100	0	100	0	-100	0	-100
	550	169	719	236	-483	304	-415
Sustainable Energy Project	530	0	530	33	-497	420	-110
	1,080	169	1,249	269	-980	724	-525
IT. & COMMUNICATIONS							
Business Continuity & Disaster Recovery	30	0	30	20	-10	30	0
Business Process Automation	25	145	170	0	-170	0	-170
Regional Finance System	0	72	72	67	-5	68	-4
Mobile Computing	22	0	22	0	-22	4	-18
HR System	107	99	206	0	-206	0	-206
Office 2010	150	0	150	0	-150	150	0
Business Expansion	35	0	35	4	-31	35	0
Replacement Equipment	90	0	90	17	-73	90	0
CFRMIS	27	16	43	22	-21	22	-21
	486	332	818	130	-688	399	-419
GRAND TOTAL	2,804	1,545	4,349	2,160	-2,189	3,135	-1,214
To Be Financed By :							
Capital Grant	-1,486	0	-1,486	-1,486	0	-1,486	0