



**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 MAY 2012**

Report of the Chief Fire Officer

**Agenda Item No:**

**Date:** 13 July 2012

**Purpose of Report:**

To report to Members on Capital Programme progress in the year 2012/13 to the end of May 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 £5,089k, against the budget for the year of £5,378k. The budget for the year includes slippage of £1,669k brought forward from 2011/2012, which was approved by Members of the Fire Authority on 29 June 2012.
- 2.2 The Authority will receive a capital grant of £1,486k this year and this will be used to finance an element of the capital programme. In addition, revenue contributions to finance capital have been budgeted for, amounting to £2,200k. This will avoid the need to borrow to finance the programme.

### **SIGNIFICANT VARIANCES**

#### **TRANSPORT:**

- 2.3 The transport capital programme is showing an underspend to date of £915k and a forecast outturn underspend of £605k.
- 2.4 The Rescue Pump replacement programme is usually three or four appliances per annum, however the Fire Cover Review provided the opportunity to suspend purchasing new pumping appliances until 2013/2014. The four appliances purchased in 2011/2012 are awaiting some new equipment to be delivered which requires some minor stowage amendments to be completed before the vehicles can be checked and delivered to the Service. In addition 4 appliances have come to the end of their lease agreements but are still in use; a cost appraisal indicated that it was more cost effective to purchase the appliances than to extend their leases and this has resulted in a overspend of £68k. The financing of this overspend will be considered later in the year, in the light of the overall position on the capital programme.
- 2.5 Two Targeted Response Vehicles (TRVs) were identified as part of the proposals outlined in the Fire Cover Review. Until the feasibility report into Targeted Response Vehicles has been completed it is unclear as to whether TRVs will be required so it likely that the £320k budget allocation will need to be slipped forward into 2013/2014. Should these vehicles not be required, the TRV budget will be used to fund a replacement pumping appliance. The original Fire Cover Review recommendation was to reduce the number of pumping appliances from forty-six to forty-one, however the agreed outcome resulted in a reduction to forty-four pumping appliances requiring the

replacement programme to be increased to four vehicles from three in 2013/14 and 2015/16.

- 2.6 Light vehicle replacement for 2012/13 has been examined carefully and reduced where possible on the basis of increased vehicle life assumptions. The light vehicle requirements will be further examined following the organisational restructure to determine if there can be a reduction in the light vehicle fleet, although for now it has been assumed that the total budget will be spent in the year.
- 2.7 After undertaking a mini-competition exercise an order has now been placed for a new Aerial Ladder Platform (ALP) appliance for delivery in 2013/14. This will require the Special Appliances budget to be slipped into 2013/2014.

#### **PROPERTY:**

- 2.8 The Property programme for the year is currently showing an underspend to date of £3,274k. The property portfolio is currently under review as a result of the Fire Cover Review (FCR).
- 2.9 Planning has now started for future projects as a result of the outcomes of the FCR. A feasibility study for the refurbishment of Retford will include options available for the station building. The Authority is currently looking for land in Nottingham for an operational station including office space for administration. It is assumed at this stage that the budget for land purchase will be spent in this year.
- 2.10 Members of the Fire Authority approved slippage of £490k from 2011/2012 at the meeting on 29 June 2012 for the Blidworth Fire Station refurbishment project. It is estimated that around £480k will be spent on this project in the current year, with £10k needing to be slipped forward into 2013/2014 to cover retentions.
- 2.11 One of the projects arising from the FCR is the conversion of Edwinstowe Fire Station from a retained duty section (RDS) station to a wholetime station. This change includes some significant building works and installation of equipment at the premises. A budget to cover the cost of this conversion will be allocated from the budget of £2,200k for Station Refurbishment. The pre-tender estimate is awaited and the total sum required will be reported next quarter.
- 2.12 Sustainable energy project: this project was largely completed in 2011/12, with slippage of £162k approved by the Fire Authority on 29 June 2012. This budget will fund works at Tuxford and Mansfield Fire Stations. The final project costs are still awaited, so the outturn is estimated to be in line with the budget at this stage.

#### **INFORMATION & COMMUNICATIONS TECHNOLOGY:**

- 2.13 The Information and Communications Technology budget is currently under spending by £900k to date against the annual budget of £1,075k. Some projects were delayed in 2011/2012 and have been slipped into 2012/2013 – these include the projects for Business Process Automation, the HR replacement system and the upgrade to Office 2010.

- 2.14 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 Business Process Automation project is now expected to commence in 2013/2014 with budget provision of £170k being slipped accordingly.
- 2.15 The HR system project has now commenced with external consultants appointed to assist with drawing up the system specification. The procurement phase has been delayed to avoid clashing with the procurement of the Tri-County Control system and this will almost certainly mean that budget will need to be slipped into 2013/2014.
- 2.16 The project to upgrade to Office 2010 is now almost complete.
- 2.17 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 take place in the current year.

### **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 £1,075k 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:

- Retford Fire Station refurbishment
- Edwinstowe Fire Station Conversion
- Replacement Aerial Ladder Appliance
- Replacement IT equipment
- HR System replacement

8.8 Although the project to replace Central Fire Station is in its early stages, with land being sought, there is no corporate risk at present due to the overall

underspending on the Capital Programme and the potential to slip budget for the project into 2013/2014.

- 8.9 The replacement of the Aerial Ladder appliance 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.
- 8.12 The Tri-County Control project is not covered within the capital programme, as the purchase of the system is likely to be undertaken by Derbyshire Fire and Rescue Service on behalf of the three Services. For information, it is confirmed that the project is on track, with the procurement subject to an OJEU tender to take place later this year. The Authority has received a capital grant of £1,800k to fund its share of the total project.

## **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**

**Capital Budget Monitoring as at May 2012**

	<u>2012/13 Approved Budget</u>	<u>2011/12 Slippage</u>	<u>Revised Budget 2012/13</u>	<u>Actual to Date</u>	<u>Variance to Date (Under) /Over</u>	<u>Estimated Outturn</u>	<u>Estimated Outturn Variance</u>
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>TRANSPORT</b>							
Rescue Pump replacement programme	0			68	68	68	68
Special Appliances	320	353	673	0	-673	0	-673
Small vehicle replacement programme	206	104	310	0	-310	310	0
Appliance CCTV Camera System							
	<b>526</b>	<b>457</b>	<b>983</b>	<b>68</b>	<b>-915</b>	<b>378</b>	<b>-605</b>
<b>PROPERTY</b>							
<i>Station Improvements</i>							
Ewinstowe - Retention	0	0	0	45	45	45	45
Blidworth - Retention	0	490	490	1	-489	480	-10
Purchase of Land	468	0	468	0	-468	468	0
Station Refurbishment.	2,200	0	2,200	0	-2,200	2,155	-45
Sustainable Energy	0	162	162	0	-162	162	0
	<b>2,668</b>	<b>652</b>	<b>3,320</b>	<b>46</b>	<b>-3,274</b>	<b>3,310</b>	<b>-10</b>
<b>IT. &amp; COMMUNICATIONS</b>							
Business Continuity & Disaster Recovery	30	0	30	0	-30	30	0
Business Process Automation	25	170	195	0	-195	25	-170
Mobile Computing	22	14	36	2	-34	22	-14
HR System	171	206	377	0	-377	171	-206
Office 2010	120	150	270	122	-148	270	0
Business Expansion	30	0	30	35	5	30	0
Replacement Equipment	90	0	90	16	-74	90	0
CFRMIS	27	20	47	0	-47	47	0
	<b>515</b>	<b>560</b>	<b>1,075</b>	<b>175</b>	<b>-900</b>	<b>685</b>	<b>-390</b>
<b>GRAND TOTAL</b>	<b>3,709</b>	<b>1,669</b>	<b>5,378</b>	<b>291</b>	<b>-5,087</b>	<b>4,238</b>	<b>-1,140</b>
<b>To Be Financed By :</b>							
Capital Grant	-1,486	0	-1,486	0	1,486	-1,486	0
Revenue Contributions	-2,200	0	-2,200	0	2,200	-2,200	0
Capital Receipts	0	0	0	-27	-27	-27	-27
	<b>-3,686</b>	<b>0</b>	<b>-3,686</b>	<b>-27</b>	<b>3,659</b>	<b>-3,713</b>	<b>-27</b>