



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 2012

Report of the Chief Fire Officer

Agenda Item No:

Date: 12 October 2012

Purpose of Report:

To report to Members on Capital Programme progress in the year 2012/13 to the end of August 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 £4,863k, 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 has received a capital grant of £1,486k this year; 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 thereby reducing revenue costs in future years.

SIGNIFICANT VARIANCES

TRANSPORT:

- 2.3 The transport capital programme is showing an underspend to date of £909k and a forecast outturn underspend of £220k.
- 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. There will be a requirement to go out for a mini-competition in order to put in place a new contract for the supply of Rescue Pumps to resume the programme in 2013/14. 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 an 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 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. There will be two early stage payments, totalling £464k, in 2012/13 as part of this planned replacement

- 2.6 The Special Appliances Budget for 2012/13 is £673k, including slippage. This will be used for the ALP, as detailed in paragraph 2.5 and the remainder of the budget, £209k, will need to be slipped forward into 2013/14 for two Targeted Response Vehicles (TRVs) which 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. Should these vehicles not be required, the slipped 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 & 2015/16.
- 2.7 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, currently 2012/13 expenditure is estimated at £231k leaving an underspending of £79k.

PROPERTY:

- 2.8 The Property programme for the year is currently showing an underspend to date of £3,155k. The main reason for the underspend is the measured slowdown of the capital programme due to the uncertainty of the final outcomes of the Fire Cover Review (FCR). Capital planning has now started for future projects across the Service's property portfolio and this process will address the programme schedule through feasibility studies of the individual fire stations. The first feasibility study has been completed on Retford Fire Station as this station is considered the highest priority for the station building replacement due to its level of dilapidation.
- 2.9 The Authority is currently looking for land in Nottingham for the relocation of Central Fire Station including office space for administration. Subject to suitable land being available it is assumed at this stage that the budget for the 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 to allow for the wholetime operation. The budget to cover the cost of this conversion will be allocated from the current budget of £2,200k for Station Refurbishment. The tenders for the main contract works have been

received and are being assessed. The estimated overall project cost is expected to be below £750k subject to reviewing and agreeing the tenders.

- 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 additional installation works at Tuxford Fire Station - the additional funding for this was agreed at the Finance & Resources Committee Meeting in March 2012. The final project costs are still awaited, however the outturn is estimated to be within the budget at this stage.
- 2.13 The SDC shower block is in a poor condition and doesn't provide separate showering facilities for female users. The estimated cost of updating and ensuring that it is energy efficient was originally estimated at £50,000 and it had therefore been approved by the Chief Fire Officer under his delegated powers. The eventual costs however are considered to be nearer to £65,000 which takes it beyond the CFOs authority. Due to the requirement to accept tenders within specific timeframes the Chair of the Fire Authority, Chair of Finance and the Clerk were consulted in order that approval could be given outside the Finance and Resources Committee to the project being started. This approval was given and therefore the Committee are asked to retrospectively approve the adjustment of the Capital Programme for this item. The funding will come from the Capital Reserve thus having no impact upon revenue budgets.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

- 2.14 The Information and Communications Technology budget is currently under spending by £797k 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 and the Human Resources replacement system. The project to upgrade to Microsoft Office 2010 was completed in 2011/12, but £150k was brought forward from last year's programme to pay for licences starting in 2012/13.
- 2.15 Following an assessment of the impact of both the Tri-County joint mobilising project and the organisational re-structure a detailed specification is being prepared for the Business Process Automation project. The Business Process Automation project is now expected to commence in 2013/2014 with budget provision of £170k being slipped accordingly.
- 2.16 Phase one of the HR system project has now been completed with the technical and functional specification being delivered. The procurement phase has been slightly delayed due to resources being temporarily committed to the Tri-County Control system and this will mean that budget will need to be slipped into 2013/2014.
- 2.17 The Microsoft Infrastructure Software Upgrade project is currently at the planning stage; this will consider its inter-dependencies and impact on other systems to produce the implementation plan. At present slippage cannot be anticipated into the 2013/2014 financial year, however this may require review

when the implementation plan and procurement mechanisms are further developed.

- 2.18 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. Once the trials are completed a decision will be taken about rolling the project out.
- 2.19 The CFRMIS budget of £47k is for the Operational Intelligence project which involves the electronic collection of operational data and transfer into the CFRMIS. It is requested that the funds are rolled forward into the 2013-14 budget because it has been necessary to extend the pilot before a decision to implement this method of information capture is made. The reason for the extension of the pilot is because the Fire Control Tri-Service project may or may not include a data capture solution and this decision is expected in December 2012. There has also been a change of project staff following the service-wide restructure and it was important for new staff to gain an understanding of where the project is currently. This assessment has been made and improvements to project management are in hand. A new cost-free software upgrade is also under review and this has also influenced the decision to extend the pilot.

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

9.1 That Members note the content of this report

9.2 That Members approve a variation to the capital programme of £65k for the refurbishment to SDC shower block, and the financing of this from the earmarked reserve.

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

None.

Frank Swann
CHIEF FIRE OFFICER

Appendix A

Capital Budget Monitoring as at August 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>	<u>2013/14 Approved Budget</u>
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
TRANSPORT								
Rescue Pump replacement prog	0			68	68	68	68	908
Special Appliances	320	353	673	6	-667	464	-209	650
Small vehicle replacement prog	206	104	310	0	-310	231	-79	479
	526	457	983	74	-909	763	-220	2,037
PROPERTY								
<i>Station Improvements</i>								
Blidworth - Retention	0	490	490	5	-485	480	-10	0
Central Fire Station –Land purchase	468	0	468	0	-468	468	0	0
Station Refurbishment.	2,193	0	2,193	24	-2,168	2,155	-38	2,200
Sustainable Energy	0	162	162	132	-29	162	0	0
Tuxford Fire Station	7		7	2	-5	7	0	0
	2,668	652	3,320	164	-3,155	3,272	-48	2,200
IT. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30	0	30	3	-27	30	0	30
Business Process Automation	25	170	195	0	-195	25	-170	25
Mobile Computing	22	14	36	2	-34	22	-14	0
HR System	171	206	377	80	-297	171	-206	80
Upgrade of Office 2010	0	150	150	150	0	150	0	0
Microsoft Infrastructure Software Upgrade	120	0	120	18	-101	120	0	0
Business Expansion	30	0	30	5	-25	30	0	25
Replacement Equipment	90	0	90	19	-71	90	0	85
CFRMIS	27	20	47	0	-47	0	-47	0
	515	560	1,075	277	-797	638	-437	245
GRAND TOTAL	3,709	1,669	5,378	515	-4,863	4,673	-705	4,482
To Be Financed By :								
Capital Grant	-1,486	0	-1,486	-1,486	0	-1,486	0	
Revenue Contributions	-2,200	0	-2,200	0	2,200	-2,200	0	
Sale of Carlton House	0	0	0	-70	-70	-70	-70	
Capital Receipts – Rescue Pumps	0	0	0	-5	-5	-5	-5	
Capital Receipts – Principal Officers Cars	0	0	0	-32	-32	-32	-32	
	-3,686	0	-3,686	-1,593	2,093	-3,793	-107	