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 2013

Report of the Chief Fire Officer

Agenda Item No:

Date: 12 July 2013

Purpose of report:

To report to Members on Capital Programme progress in the year 2013/14 to the end of May 2013. 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 £7,849k, against the budget for the year of £8,339k. The budget for the year includes slippage of £3,142k brought forward from 2012/13, which was approved by Members of the Fire Authority on 28 June 2013. Overall, capital expenditure is likely to reach £6,190k by the end of the year but the outturn will be continually reviewed and reported throughout the year.

2.2 The Authority has received a capital grant of £1,088k 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 £2,000k. This will keep the need to borrow to finance the programme to a minimum, thereby reducing revenue costs in future years.

SIGNIFICANT VARIANCES

TRANSPORT:

2.3. Work to evaluate chassis manufacturer options for new Rescue Pumps has been carried out and the final chassis quotations from three suppliers are awaited so that orders can be placed for Euro 5 chassis before the need to go to Euro 6 and incur the additional costs that Euro 6 engine vehicles will bring. Work to review the equipment inventory and refreshing the Rescue Pump Technical Specification Requirement is underway and a consultation questionnaire has been circulated to station personnel for their feedback to aid this process. When this work has been completed the process of the mini-competition for bodywork and fire engineering can be undertaken to select a bodybuilder and put in place another multi-year contract.

2.4. The body-build of the new Aerial Ladder Platform (ALP) has commenced but delivery has slipped due to delays with vehicles ahead of the Nottinghamshire ALP in the suppliers build schedule. Delivery to the Service of the completed vehicle is now forecast to have slipped from the end of June to the end of August/early September.

2.5 The Special Appliances budget for 2013/14 is £2,038k, in addition £180k was slipped from 2012/13. The original Fire Cover Review recommendation was to reduce the number of pumping appliances in the fleet 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. It is likely that the replacement programme will need to change again as the Service seeks to make the necessary budget savings required in forthcoming years.

2.6   The award of a contract for a water/foam unit was made during May and the build work has already commenced with delivery anticipated to be the end of August.

2.7   A chassis cab is on order for a new Flood Response Unit and the specification for the bodywork and associated equipment is being drawn up to meet the user requirement prior to obtaining quotations for the vehicle body-build.

2.8   Initial designs to re-use other existing vehicles for Special appliances are also being drawn up or explored to reduce expenditure. Some of the Special appliances will also require an interim Mobile Data Terminal (MDT) solution and work is underway with the ICT department to facilitate this whilst awaiting the new MDT solution from the Tri-Service project.

2.9   Light vehicle replacement for 2013/14 has been examined carefully and reduced where possible on the basis of increased vehicle life assumptions. As yet the re-structure has not thrown up any surplus vehicles to enable fleet reduction. Although some planned procurement of new light vehicles has taken place further work is to be carried out to identify if the light vehicle can be reduced to make cost savings.

PROPERTY:

2.10   The Property programme for the year is currently showing an underspend to date of £4,274k. The main reason for the underspend is the measured slowdown of the capital programme following 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 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. Works to the temporary fire station are due to commence in June and be completed by September 2013. Planning decisions are expected from the Local Authority by 18 July 2013. Invitations to tender are due back by 5 August 2013. Work is anticipated to start early September 2013 and be completed by September 2014. The estimated cost in 2012/13 is anticipated to be £1.2m and a further £1.3m in 2013/14. The total project budget is currently estimated to be in the region of £2.64m; however this is still based on an outline specification and will be subject to the results of the tendering exercise.

2.11   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 financial year. The budget estimate for

the project (excluding the land purchase) is yet to be confirmed as this will be reliant on the final site selection and the operational requirement of the station.

2.12   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 contractor has been instructed and has now started work on site. The estimated overall project cost is expected to be overspent by £41k; this in part was due to unexpected costs related to the relocation of gas, fire hydrant and water main. The overall project cost is expected to be in the region of £790k. This overspend will be reviewed as the year progresses and could be met from the capital contingency budget at the end of the year or from underspends in other projects.

2.13   Sustainable energy project: this project was largely completed in 2011/12. The final project costs are within the project budget and the retentions and outstanding fees are circa £15k to £20k, due in 2013/14.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

2.14   The Information and Communications Technology budget is currently under spending by £941k to date against the annual budget of £1,110k. Some projects were delayed in 2012/13 and have been slipped into 2013/14 – 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 £93k was brought forward from last year's programme to pay for licences which started in 2013/14.

2.15   Following an assessment of the impact of both the Tri-Service Control 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 2013/14 with budget provision of £195k having been slipped accordingly.

2.16   Phase one of the HR system project and phase two (Procurement) has been completed. The Tender has been awarded and Phase 3 (implementation) has now commenced, with completion expected early in 2014/15.

2.17   The Microsoft Infrastructure 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 2013/14 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 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 system. Funds were 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 Tri-Service Control project may or may not include a data capture solution and this decision is expected early this year. 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 influenced the decision to extend the pilot.

3. FINANCIAL IMPLICATIONS

The forecasted level of capital expenditure for this year is set out within the body of the report. Decisions on the financing of capital expenditure will be taken towards the end of the year, and will be in the context of actual levels of capital expenditure and the overall financial position of the Authority.

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 £1,110k programme due to the high level of commitment required for the Tri-Service Control project. 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;
- Relocation of Central Fire Station;
- Edwinstowe Fire Station Conversion;
- Replacement Aerial Ladder Appliance;
- Replacement IT equipment;
- HR System replacement.

8.8   There is an intrinsic link between the project to replace Central Fire Station and the sale of the existing building. Any delay in sourcing land for the relocation will inevitably delay the sale of the existing building which may in turn result in delayed capital receipts and frustration of development partners. Strenuous efforts re being made with the potential vendors of the identified site to move this purchase forward.

8.9 The replacement of the ALP appliance is slightly delayed, but not posing a 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 not due to be fully installed and in use for several months 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-Service Control project is not covered within the capital programme, as the purchase of the system is being managed 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 contract awarded and the implementation phase started. The Authority has received a capital grant of £1,800k to fund its share of the total project.

9. RECOMMENDATIONS

That Members note the content of this report.

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

None.

Frank Swann
CHIEF FIRE OFFICER

Capital Budget Monitoring report as at 31 May 2013

	2013/14 Approved Budget £000's	2012/13 Slippage £000's	2013/14 Revised Budget £000's	Actual to Date £000's	Variance to Date (Under) / Over £000's	Estimated Outturn £000's	Estimated Outturn Variance £000's	2014/15 Provisional Budget £000's
TRANSPORT								
Rescue Pump replacement programme								1,263
Special Appliances	2,038	180	2,218	70	-2,147	2,218		
Small vehicle replacement programme	445		445	23	-421	445		351
	2,482	**180**	**2,662**	**94**	**-2,569**	**2,662**		**1,614**
PROPERTY								
Station Improvements								
Edwinstowe Fire Station Conversion Project		424	424	249	-175	465	41	
Blidworth Fire Station		25	25	-4	-29	20	-5	
Central Fire Station - Land Purchase		466	466		-466	146	-320	
Retford Fire Station		1,426	1,426	48	-1,378	1,262	-164	
Station Refurbishment								2,310
Tuxford Fire Station								
Carlton Fire Station								
Sustainable Technology Project Phase 1 - 2011		26	26		-26	25	-1	
Purchase of Land for New Fire Station	2,200		2,200		-2,200	500	-1,700	
Service Development Centre Shower Block								
	2,200	**2,367**	**4,567**	**293**	**-4,274**	**2,418**	**-2,149**	**2,310**
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30	11	41		-41	41		30
Business Process Automation	150	195	345		-345	345		
Mobile Computing		20	20		-20	20		
HR System Upgrade	150	228	378	3	-375	378		
Microsoft Infrastructure Upgrade		93	93		-93	93		
Office 2010 Windows 7 Upgrade								
Business Expansion	25		25		-25	25		25
Replacement Equipment	85	1	86	90	4	86		85
CFRMIS Ops Intel Database		47	47		-47	47		
Tri Service Control Project	75		75			75		
Information Systems Development								100
	515	**595**	**1,110**	**94**	**-941**	**1,110**		**240**
	5,197	**3,142**	**8,339**	**480**	**-7,784**	**6,190**	**-2,149**	**4,164**
Sale of Principal Officers Cars								
Sale of Rescue Pumps								
Revenue Contribution	-2,000		-2,000		2,000	-2,000		0
Capital Grant	-1,088		-1,088	-1,088		-1,088		-1,088
Total	**-3,088**		**-3,088**	**-1,088**	**2,000**	**-3,088**		**-1,088**
								-