



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 28 FEBRUARY 2014

Report of the Chief Fire Officer

Date: 4 April 2014

Purpose of Report:

To report to Members on Capital Programme progress in the year 2013/14 to the end of February 2014. 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 £5,794k, 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 £3,168k by the end of the year resulting in an outturn underspend of £5,171k.
- 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. The Authority has received a capital receipt of £2,000k from Nottingham City Council and this represents the Authority's share of the proceeds of selling Dunkirk Fire Station. The capital receipt eliminated the need to borrow funds to repay a loan which matured in September.
- 2.3 The forecast outturn of £3,168k means that the planned financing of the capital programme by capital grant, revenue contributions and a capital receipt will need adjusting. Once the final capital outturn is known, Officers will decide on the most appropriate financing combination. Members of this committee on 17 January 2014 approved a voluntary revenue provision of up to £1m if there are un-used revenue contributions.

SIGNIFICANT VARIANCES

TRANSPORT:

- 2.4 After evaluating chassis manufacturer options for new **Rescue Pumps** and obtaining quotations, orders were placed to secure four Euro 5 engine chassis before the requirement 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 was undertaken as planned and the Welsh Pumping Appliance Framework has been utilised to procure the new appliances required. A decision to use the Welsh framework rather than The Consortium – Fire&Rescue framework was

made in order to save on the management fee applicable to that framework. Officers are currently involved with a Derbyshire FRS project to put in place framework agreements without management fees. As a result, work to put in place another multi-year contract for Rescue Pump appliances due for replacement in financial year 2015/16 and onwards has been delayed to take advantage of the cost saving benefits.

- 2.5 The new **Aerial Ladder Platform** has been built and underwent dynamic testing just before Christmas. The vehicle has now been delivered to the Service and crew training is currently underway, subject to weather conditions.
- 2.6 The **Special Appliances** - work to draw up specifications for a new Incident Command Unit appliance, along with that for a replacement Breathing Apparatus Unit and Hazardous Materials & Environmental Protection Unit, has now commenced as planned. The latter two appliances will re-use other existing vehicle chassis to reduce expenditure on replacing those Special Appliances.
- 2.7 **Water/Foam Unit** - The Water/Foam Unit appliance build has been completed and the vehicle has undergone dynamic testing. The vehicle was delivered in early January with training to be provided by SDC ready for operational deployment in March/April 2014
- 2.8 **Flood Response Unit** -The vehicle is currently in build with vehicle completion estimated to be May 2014.
- 2.9 **Light vehicle replacement** - As yet the re-structure has not identified any surplus vehicles to enable fleet reduction. Although some previously planned procurement of new light vehicles has taken place, further work is to be carried out to identify if the light vehicle fleet can be reduced to make cost savings.

PROPERTY:

- 2.10 **Edwinstowe Fire Station Conversion Project** - the conversion works are now complete and the station is operating as a whole-time fire station. The 12 months defects liability period is due to end in June 2014 where the contract retention becomes payable subject to any outstanding defects. The overall project cost is expected to be within the £790k stated in previous capital programme reports.
- 2.11 **Central Fire Station** - the pre-planning application for a joint Fire Station and City Council Emergency Planning Hub was submitted in December 2013 and the Service has since had a response from the Chief Planning Officer based on the conceptual design of the proposed new station. The proposal is for the City Council's Emergency Planning Team to co-locate with NFRS at the new fire station and occupy circa one third of the proposed station office accommodation. The financial arrangements between NFRS and the City Council related to this sharing of accommodation are yet to be agreed. The

final purchase price for the Gresham Works site is still to be agreed but is likely to be in the region of £600k, which is higher than the initial estimate of £466k. The land purchase is anticipated to be completed in financial year 2014/15.

2.12 **Central Fire & Police Station Disposal** - the tenders for the disposal of Central Fire & Police Station were received 8 October 2013. The preferred bidder is Nottingham City Council who submitted the most favourable bid. The final Heads of Terms for the sale are still to be agreed.

2.13 **Retford Fire Station** - the tender was won by Gelder Group who has now been awarded the contract; the contract sum was in line with the pre-tender estimate and project budget (incidentally Gelder Group successfully completed the refurbishment of Blidworth Fire Station in 2012).

The outline programme is as follows:

The temporary fire station site became operational when the station staff moved into this accommodation 17 September 2013.

The Retford Fire Station site at Wharf Road was handed over to the contractor 14 October 2013, at this point Gelders took responsibility of the site and effectively it becomes theirs for the duration of the contract.

The works contractor completed the removal of asbestos and other internal elements of the building at the end of November and started the main demolition of the old fire station at the beginning of December.

Construction of the new station started in the first week of the New Year.

Final completion of the new Retford Fire Station is anticipated by September 2014.

The estimated occupation of the new station will be mid to late October 2014

The estimated hand-back of temporary accommodation is November 2014

2.14 **Refurbishment of Control and Incident Support Room**- this project is funded from an earmarked reserve relating to the tri-Service Control project and is now complete.

2.15 **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 £25k, due in 2013/14.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

2.16 The Information and Communications Technology budget is under spending by £739k 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.

- 2.17 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. This project is now expected to commence late in 2013/14 and the balance of this project will be slipped into 2014-2015. The estimated slippage required is £335k.
- 2.18 Phase one of the HR system project and phase two (procurement) have been completed. The tender has been awarded and Phase 3 (implementation) has now commenced, with completion expected early in 2014/15. The estimated slippage required is £268k.
- 2.19 The Microsoft Infrastructure Upgrade project is currently being implemented and includes the upgrade of the NFRS Wide Area Network and the roll-out of Windows 7 laptops. It is anticipated that both projects will be completed by the end of 2013/14.
- 2.20 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.
- 2.21 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. It is proposed that the funds are rolled forward into the 2014/15 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 the current position before progressing to completion. This assessment has now 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 when the final outturn is known, 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.
- 8.5 The underspend on the capital programme reported in paragraph 2.1 will potentially create two impacts. Firstly, the capital financing revenue budget in the following financial year (2014/15) is likely to underspend and this variance will be reported in the year and managed along with the whole revenue budget. In 2015/16, this variance will be corrected as the revenue budget requirement will have been re-assessed during the next budget process. Secondly, the budget assumptions made about how the capital programme will be financed will have to be re-assessed. In a year when new borrowing is taken to finance a capital programme which then underspends, the Authority will be paying loan interest which exceeds the interest earned on investments (known as the cost of capital) in the current economic conditions. In this year, no new borrowing has been taken so this risk has not materialised.

CORPORATE RISK

- 8.6 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.
- 8.7 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.

These key projects are:

- Retford Fire Station refurbishment;
 - relocation of Central Fire Station;
 - 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 2014/2015.
- 8.9 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.
- 8.10 The replacement HR system is not due to be fully installed and in use until May 2014 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.

8.11 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 main implementation phase due to complete by July 2014. The Authority has received a capital grant of £1,800k to fund its share of the total project.

9. RECOMMENDATIONS

It is recommended that Members note the content of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

	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 spend £000's
TRANSPORT								
Rescue Pump replacement programme								1,263
Special Appliances	2,038	180	2,218	917	-1,301	1,000	-1,218	
Small vehicle replacement programme	445		445	115	-330	150	-295	351
	2,482	180	2,662	1,032	-1,630	1,150	-1,512	1,614
PROPERTY								
Station Improvements								
Edwinstowe Fire Station Conversion Project		424	424	394	-30	465	41	
Blidworth Fire Station		25	25	-5	-30	20	-5	
Central Fire Station - Land Purchase		466	466	51	-415	150	-316	
Retford Fire Station Station Refurbishment		1,426	1,426	481	-945	778	-648	2,310
Tuxford Fire Station Carlton Fire Station								
Refurbishment of Control Room and Incident Support Room				210	210			
Sustainable Technology Project Phase 1 - 2011 Purchase of Land for New Fire Station	2,200	26	26	11	-15	25	-1	
Service Development Centre Shower Block			2,200		-2,200	150	-2,050	
	2,200	2,367	4,567	1,142	-3,425	1,588	-2,979	2,310
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30	11	41	12	-29	30	-11	30
Business Process Automation	150	195	345	1	-344	10	-335	
Mobile Computing		20	20	8	-12	10	-10	
HR System Upgrade	150	228	378	87	-291	110	-268	
Microsoft Infrastructure Upgrade		93	93	102	9	120	27	
Office 2010 Windows 7 Upgrade								
Business Expansion	25		25	16	-9	16	-9	25
Replacement Equipment	85	1	86	104	18	104	18	85
CFRMIS Ops Intel Database		47	47		-47		-47	
Tri ServcieContral Project	75		75	11	-64	30	-45	
Information Systems Development				30	30			100
	515	595	1,110	371	-739	430	-680	240
Grand Total	5,197	3,142	8,339	2,545	-5,794	3,168	-5,171	4,164
To Be Financed By :								
Sale of Dunkirk				-2,000		-2,000	-2,000	
Sale of Principal Officers Cars								
Sale of Rescue Pumps				-33	-33			
Revenue Contribution	-2,000		-2,000			-2,000		0
Capital Grant	-1,088		-1,088	-1,088		-1,088		1,088
Capital Budget Slippage form 2013/2014								
Total	-3,088	0	-3,088	-3,121	-33	-5,088	-2,000	1,088