



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 30 NOVEMBER 2013

Report of the Chief Fire Officer

Agenda Item No:

Date: 17 January 2014

Purpose of Report:

To report to Members on Capital Programme progress in the year 2013/14 to the end of November 2013. This report analyses significant variances against the original programme.

CONTACT OFFICER

Name : Neil Timms
Assistant Chief Officer, Finance & Resources

Tel : (0115) 967 0880

Email : neil.timms@notts-fire.gov.uk

**Media Enquiries
Contact :** Bridget Aherne
(0115) 967 0880 bridget.aherne@notts-fire.gov.uk

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 £6,406k, 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 £5,151k 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. 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 has been used to repay a loan which matured in September.
- 2.3 If the forecast capital expenditure of £5,151k is not achieved this year, it is likely that the Revenue Contributions to Capital Outlay (RCCO) of £2.0m budgeted for will not be required in 2013/14. The Authority therefore has three options to deal with it:
 - i) allow the underspend to accumulate and add this to general reserves;
 - ii) deal with any underspend by creating a Capital Reserve;
 - iii) make a voluntary payment of Minimum Revenue Provision (MRP).

General Reserves are already higher than the risk assessment would suggest is necessary, and Government is becoming increasingly critical of Authorities holding large reserves. Whilst the Authority need to hold a reasonable amount of reserves it is inevitable in a medium term financial plan to reduce costs that reserves will continue to rise as budget reductions are fed through into the system. Creating a capital reserve is possible but in accounting terms this is a bit untidy as it would necessitate an initial transfer to general reserve and a subsequent transfer to the capital reserve. Importantly however, neither of these options does anything to assist with revenue budget problems going

forward. A voluntary contribution to MRP on the other hand has a number of advantages:

- i) there is a small relationship between MRP and revenue budgets going forward;
- ii) MRP is a cumulative reserve and so at any time it is possible to “have a holiday” providing that cumulatively there is still enough MRP provided;
- iii) the level of useable reserves does not rise.

On this basis it is suggested that a contribution of up to £1m is made to MRP from a combination of general underspends and unused RCCO and Members are asked to approve this proposal.

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 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 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 over The Consortium – Fire&Rescue framework was made to save on the management fee applied 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 is scheduled to undergo dynamic testing just before Christmas subject to weather conditions. Final delivery of the vehicle to the Service should now be in early January with crew training to commence thereafter.
- 2.6. The recent reduction in the number of front line pumping appliances has necessitated the adjustment of the replacement programme. All vehicle replacement programmes have been reviewed again and where feasible vehicle life increased to reduce the frequency of capital expenditure.
- 2.7. The Special Appliances budget for 2013/14 is £2,038k; in addition £180k was slipped from 2012/13. The Water/Foam Unit appliance build has been completed and the vehicle is due to undergo dynamic testing sometime in January with final delivery to the Service expected to be early February.

- 2.8 On completion and evaluation of a mini-tender exercise the contract award has been made for the bodywork element of a new Flood Response Unit with vehicle completion estimated to be May 2014.
- 2.9 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.
- 2.10 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 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:

- 2.11 The Property programme for the year is currently showing an underspend to date of £3,891k. 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 planning and implementation of the two new fire station projects (Retford and Central) will see the capital expenditure increase to the levels in the capital budget as these two projects reach their construction phases (see below).

The New Retford Fire Station Project. The temporary fire station site became operational when the station staff moved into this accommodation on 17 September 2013. 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. The demolition phase of the project will be completed before Christmas and work on the construction of the new station will start in the first week of the new year. Final completion of the new Retford Fire Station is anticipated by September 2014. The estimated project expenditure in financial year 2013/14 is anticipated to be £778k and a further £1.72m in 2014/15. The slippage for 2013/2014 of £648k will be slipped into 2014/2015. The balance of the project expenditure in the form of retentions will become due 2015/16. The total project budget is still estimated to be in the region of £2.64m as stated in the last capital monitoring report.

- 2.12 The new Central Fire Station Project. Negotiations for the acquisition of land on London Road for the planned relocation of Central Fire Station are largely complete as this is linked into the sale of Central Fire Station. The Heads of Terms, including the firm asking price for the land sale/purchase, are still to be agreed by the City Council (the vendors). The land purchase is anticipated to be complete in the new financial year at a price of £600k compared with the

initial estimate of £500k previously reported. The immediate problem is that delays in the issue of Heads of Terms by the vendor will inevitably knock on to the build schedule of the new station and therefore the date by which Central station can be vacated. The slippage of £2.05m for 2013/2014 will again be slipped into 2014/2015. The budget estimate for the project (excluding the land purchase) is yet to be confirmed as this will be reliant on the final operational requirements of the new station and the requirements of the City Council's Emergency Planning Team. The plan is for the City Council's Emergency Planning Team to co-locate with Nottinghamshire Fire & Rescue Service (NFRS) at the proposed new fire station and the financial arrangements related to this sharing of accommodation are yet to be agreed.

- 2.13 Edwinstowe Fire Station Conversion Project. The conversion works are now complete and the station is operating as a whole-time fire station. The overall project cost is expected to be within the £790k stated in previous capital finance reports.
- 2.14 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:

- 2.15 The Information and Communications Technology budget is under spending by £783k 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.
- 2.16 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 £295k.
- 2.17 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.
- 2.18 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.
- 2.19 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.

- 2.20 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.
- 2.21 The ICT capital programme is forecast to underspend by £320k in the current year and the Head of ICT has indicated that one project which is in the ICT capital programme for 2014/15 could be accelerated and completed this year. This is the purchase of a Microsoft Volume Enterprise License Agreement covering all Microsoft software applications and server licensing for a 3 year period at an estimated cost of £200k. Members are asked to approve the acceleration of this project to the current year.

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:

- overspending on any given project;
- overspending against the whole capital programme;
- 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;
- 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 The replacement of the Aerial Ladder Platform 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

It is recommended that:

9.1 Members are requested to approve a voluntary Minimum Revenue Provision contribution of up to £1m from a combination of general underspends and unused RCCO, as outlined in paragraph 2.3;

9.2 the capital programme is forecasted to underspend in 2013/2014 by almost £2.8m in total. Members are requested to approve the acceleration of the purchase of a Microsoft Volume Enterprise License Agreement covering all Microsoft software applications and server licensing for a 3 year period at an estimated cost of £200k. This will be financed from the existing budgeted capital financing charges;

9.3 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 30 November 2013

Appendix A

	2013/14 Approved Budget	2012/13 Slippage	2013/14 Revised Budget	Actual to Date	Variance to Date (Under) / Over	Estimated Outturn	Estimated Outturn Variance	2014/15 Provisional Budget
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
TRANSPORT								
Rescue Pump replacement programme								1,263
Special Appliances	2,038	180	2,218	836	-1,382	2,333	-115	
Small vehicle replacement programme	445		445	95	-349	445		351
	2,482	180	2,662	931	-1,732	2,777	-115	1,614
PROPERTY								
Station Improvements								
Edwinstowe Fire Station Conversion Project		424	424	361	-63	465	41	
Blidworth Fire Station		25	25	-5	-30	20	-5	
Central Fire Station - Land Purchase		466	466	39	-427	146	-320	
Retford Fire Station		1,426	1,426	270	-1,156	778	-648	
Station Refurbishment								2,310
Tuxford Fire Station								
Carlton Fire Station								
Refurbishment of Control Room and Incident Support Room				216				
Sustainable Technology Project Phase 1 - 2011		26	26	11	-15	25	-1	
Purchase of Land for New Fire Station	2,200		2,200		-2,200	150	-2,050	
Service Development Centre Shower Block								
	2,200	2,367	4,567	892	-3,891	1,584	-2,983	2,310
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30	11	41	12	-29	41		30
Business Process Automation	150	195	345		-345	50	295	
Mobile Computing		20	20	8	-12	20		
HR System Upgrade	150	228	378	51	-327	378		
Microsoft Infrastructure Upgrade		93	93	68	-25	111	-18	
Office 2010 Windows 7 Upgrade								
Business Expansion	25		25	15	-10	15	10	25
Replacement Equipment	85	1	86	98	12	100	-14	85
CFRMIS Ops Intel Database		47	47		-47		47	
Tri Servcie Contral Project	75		75	11		75		
Information Systems Development				10				100
	515	595	1,110	274	-783	790	320	240
Grand Total	5,197	3,142	8,339	2,096	-6,406	5,151	-2,777	4,164
To Be Financed By :								
Sale of Dunkirk				2,000		-2,000		
Sale of Principal Officers Cars								
Sale of Rescue Pumps				-33	-33			
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	0	-3,088	-1,121	1,967	-5,088	0	-1,088