

# Buckinghamshire & Milton Keynes Fire Authority



<b>MEETING</b>	Executive Committee
<b>DATE OF MEETING</b>	19 November 2014
<b>OFFICER</b>	David Skinner, Director of Finance & Assets
<b>LEAD MEMBER</b>	Councillor Andy Dransfield
<b>SUBJECT OF THE REPORT</b>	<b>Quarter Two Budget Monitoring Performance and Debt Management April 2014 – September 2014</b>
<b>EXECUTIVE SUMMARY</b>	<p>To present the revenue and capital budget monitoring and debt management performance report for the six months to 30 September 2014.</p> <p>The report at Appendix A sets out the Authority's revenue and capital spending position as at 30 September 2014, together with the projected outturn position for the financial year.</p> <p>Managers have positively and proactively controlled spend and forecast an under-spend of £2.0m, against a revenue budget of £28.8m.</p> <p>Excluding the Statutory Accounting &amp; Contingency items totaling £932k, the overall forecast underspend on operational budgets reduces down to £1,068k.</p> <p>It is proposed that £238k of the underspend be used for KIS Strategy projects to reduce the pressure on capital funding in future years. Details of the projects are provided in Appendix B.</p>
<b>ACTION</b>	Information and decision.
<b>RECOMMENDATIONS</b>	<ol style="list-style-type: none"> <li>1. That the latest projected outturn forecast for the Authority as at 30 September 2014 be noted.</li> <li>2. That the budget virement (A) as detailed at the end of section 9 of the report be authorised.</li> <li>3. That £238k of the projected underspend be used to fund projects from the ICT strategy to be brought forward from future years. This will be accounted for as an additional revenue contribution to capital in 2014/15.</li> </ol>

<b>RISK MANAGEMENT</b>	Management of our financial resources is a key risk to the Authority and the performance reports to Committee inform Members of the main financial risks facing the authority in year.
<b>FINANCIAL IMPLICATIONS</b>	As set out in the main body of the report.
<b>LEGAL IMPLICATIONS</b>	None.
<b>HEALTH AND SAFETY</b>	None.
<b>EQUALITY AND DIVERSITY</b>	None.
<b>USE OF RESOURCES</b>	The paper sets out how work has been progressing for achieving greater financial ownership and accountability for resources attached to the delivery of specific aims and objectives of the Authority.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	Medium Term Financial Plan 2014/15 to 2017/18, CFA Meeting February 2014. Budget Monitoring Performance and Debt Management April – June 2014.
<b>APPENDICES</b>	Appendix A – Budget Monitoring Performance and Debt Management April – September 2014. Appendix B – KIS Projects Summary and Bids.
<b>TIME REQUIRED</b>	15 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	Graham Young – Management Accountant <a href="mailto:gyoung@bucksfire.gov.uk">gyoung@bucksfire.gov.uk</a> 01296 744429

## 1. Revenue Forecasts by Service Area

**Table 1** The table below shows the budget and actual expenditure for each directorate as at the end of September 2014. The budget of £29m is compared to the forecast outturn to give a forecast year end underspend of £2m. If you take out the Statutory Accounting & Contingency items totaling £932k, we are forecasting a £1,068k overall underspend.

Directorate	Area Manager	Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance
Corporate Core	Corporate Core	893,740	480,847	878,663	-15,077
	Legal & Governance	107,117	44,028	104,441	-2,676
<b>Corporate Core Total</b>		<b>1,000,857</b>	<b>524,875</b>	<b>983,104</b>	<b>-17,753</b>
Finance & Assets	Finance & Procurement	1,023,949	567,953	983,842	-40,107
	Resource Management	2,106,287	1,105,469	2,109,980	3,693
<b>Finance &amp; Assets Total</b>		<b>3,130,236</b>	<b>1,673,422</b>	<b>3,093,822</b>	<b>-36,414</b>
People & Organisation Development	Training & Development	1,425,043	503,458	1,228,556	-196,487
	Operations & Services	705,277	392,903	670,682	-34,595
<b>People &amp; Organisation Development Total</b>		<b>2,130,320</b>	<b>896,362</b>	<b>1,899,238</b>	<b>-231,082</b>
Delivery, Corporate Development & Planning	Service Delivery	14,992,168	6,836,374	14,082,993	-909,175
	Service Development	2,327,042	1,062,007	2,285,145	-41,897
	Service Transformation	1,531,933	936,965	1,701,044	169,111
<b>Delivery, Corporate Development &amp; Planning Total</b>		<b>18,851,143</b>	<b>8,835,346</b>	<b>18,069,182</b>	<b>-781,961</b>
Statutory Accounting & Contingency	Capital Charges	1,128,000	593,366	1,128,000	0
	Direct Revenue Financing	1,290,114	1,290,114	1,290,114	0
	Contingency	1,261,929	0	131,258	-1,130,671
	Non Distributed Costs	16,266	39,287	215,070	198,804
<b>Statutory Accounting &amp; Contingency Total</b>		<b>3,696,309</b>	<b>1,922,767</b>	<b>2,764,442</b>	<b>-931,867</b>
<b>Total Expenditure</b>		<b>28,808,865</b>	<b>13,852,772</b>	<b>26,809,788</b>	<b>-1,999,077</b>

The key variations are;

**Corporate Core £18k under** – The favourable variance here is due to a current projection of more bank interest than budgeted. The budget will be amended in 2015/16 to reflect this increased income.

**Finance & Assets £36k under** - The finance & procurement team is projecting an underspend of £40k relating to a member of the finance team retiring mid-year plus receipt of an insurance rebate. The 4k underspend projected in resource management is made up of overspends relating to unidentified savings in fleet which are offset by underspends in fuels costs and vacant cleaner and workshop posts.

**People & Organisation Development £231k under** – An underspend in training & development mainly relates to an initiative, designed to meet operational requirements with alternative staffing arrangements. Additional underspends are projected in operations and services in relation to occupational health scheme payments, adding to those resulting from vacant HR posts and managed underspends in staff development.

**Delivery, Corporate Development & Planning £782k under** – Service delivery is currently projecting an underspend of £909k. £436k relates to underspends on members of the brigade staffing elements with additional underspends relating to deductions made during the recent periods of industrial action. Approximately £130k of the remaining underspend is as a consequence of actual pension opt-in being on a different basis to that modeled. The remaining underspend relates to lower than budgeted salary payments, as we currently budget at top of scale, and underspends in overtime payments, CPD and accommodation allowances.

£286k of the underspend in service delivery relates to on-call salary elements, where the organisation is currently under established levels for on-call firefighters. The projected underspend has increased significantly when compared with the projection reported last quarter due to planned recruitment which has so far not taken place. The budgetary provision is under a service review and the current underspend will need to be retained for potential re-investment into the service.

Vacant administrative posts in service delivery also lead to a £114k underspend being forecast in this area for fire protection and fire prevention services.

The favourable variance in service development is due to vacant administrative posts, and lower than budgeted cross-border charges in response support contributing £34k to the £42k underspend. £19k of additional income in relation to flood response support in Somerset earlier in the year also contributes to this underspend.

Service Transformation is currently projecting an overspend of £170k the majority of which relates to the restructure within the directorate that took place earlier in the year. Budget has now been identified within underspends in service delivery for 2014/15 and a virement request for authorisation to re-align this area is detailed in section 9 of this report.

**Statutory Accounting & Contingency £932k under** - The contingency fund was originally set up in the budget to cover the costs of modernisation under the Moving Forward agenda and any pay award and pay protection arrangements. So far, contingency has not been needed in the current financial year, other than to cover pay awards which have been in line with budget assumptions and to realign the budgets for business rates expenditure.

## 2. Direct Employee Costs

**Table 2** shows the budget and forecast out-turn for each sub-heading within the direct employees subjective as at the end of September 2014.

Staffing	Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance
Members of the Brigade	13,711,325	6,352,245	13,202,049	-509,276
Retained Duty System	1,627,128	583,673	1,348,210	-278,918
Administrative Staff	3,711,515	1,952,350	3,562,480	-149,035
Control Room Staff	443,082	347,024	452,042	8,960
Casual Employees	51,122	51,291	100,925	49,803
Cleaners	119,758	11,508	26,859	-92,899
Technicians	269,137	83,832	199,928	-69,209
Members Allowances	72,080	30,458	72,080	0
Allowances	778,151	351,814	700,830	-77,321
Agency Staff	87,799	88,465	167,324	79,525
<b>Grand Total</b>	<b>20,871,097</b>	<b>9,852,660</b>	<b>19,832,726</b>	<b>-1,038,371</b>

**Members of the Brigade** - £245k relating to industrial action deduction, with additional amounts due to vacancies in operational training and differences in actual pension opt-in.

**Retained Duty System** – on-call firefighter employment is currently significantly under budgeted establishment levels.

**Administrative Staff** - due to retirement of finance team member, HR vacancies at the beginning of the year and vacant posts in fire prevention, fire protection, admin support and response support.

**Casual Employees** – casual staff are being used in operational training leading to the overspend in this area. The overspend is more than covered by the underspend in members of the brigade in this area.

**Cleaners** - the underspend is partly offset by a £25k overspend on contracted cleaning services being used due to a number of cleaner vacancies.

**Technicians** – the underspend relates to vacant posts within vehicle workshops.

**Allowances** – underspends in CPD, training school and accommodation allowances.

**Agency Staff** – agency staff are to be used to cover vacancies in the finance team as well as supporting HR and property projects

### 3. Major Risk Areas

The monitoring process will focus more attention on areas identified by management as high risk. An initial assessment of the main financial risks faced has been undertaken by Finance against the following categories:

- High value budgets
- Historically volatile budgets
- Demand led income and expenditure budgets

		<b>Total Budget</b>	<b>Actual Year to Date</b>	<b>Forecast Outturn</b>	<b>Projected Year End Variance</b>
A.	Employee Direct Costs	20,871,097	9,852,660	19,832,726	-1,038,371
B.	Knowledge & Information Services	1,134,978	638,227	1,104,520	-30,458
C.	Fuel Charges	366,840	145,635	291,270	-75,570
D.	Energy/Utilities	277,505	86,078	282,321	4,816
E.	Employment Agencies/Consultants	87,799	88,465	167,324	79,525

#### Key variance explanations:

**A. Employee Direct Costs** – Variance as indicated in section 2 above.

**B. Knowledge & Information Services** – KIS underspend projected in software costs for the current year

**C. Fuel** – The underspend projected here will be realigned and used to offset the further savings required within fleet.

**D. Energy/Utilities** – Utilities are currently projected to finish the year within £5k of budget.

**E. Employment Agencies/Consultants** – agency staff are to be used to cover vacancies in the finance team as well as supporting HR and property projects

#### 4. Funding

The table below details the budget and forecast outturn for each category of funding.

	<b>Govt Funding £000</b>	<b>Business Rates £000</b>	<b>Council Tax Freeze Grant £000</b>	<b>Specific Grants £000</b>	<b>Council Tax Receipts (incl. 13/14 surplus) £000</b>	<b>Total Funding £000</b>
<b>Budget 2014/15</b>	-6,013	-4,509	-179	-1,178	-16,930	<b>-28,809</b>
<b>Budget Year to Date</b>	-3,757	-2,571	-108	-589	-8,589	<b>-15,615</b>
<b>Actual to Date</b>	-3,757	-2,579	-108	-580	-8,589	<b>-15,614</b>
<b>Variance Year to Date</b>	0	-8	-0	9	-0	<b>1</b>
<b>Forecast Outturn</b>	-6,013	-4,624	-181	-1,160	-16,930	<b>-28,907</b>
<b>Projected Year End Variance</b>	0	-115	-2	19	0	<b>-98</b>

**Government Funding** – there has been no indication from the DCLG that the funding from government will differ to the figures used to set the budget.

**Business Rates** – the £115k projected surplus in business rates is based on estimates from the billing authorities which indicate a higher than budgeted yield in the proportion of business rates payable to BMKFA. Any surplus generated here will impact on the funding for 2015/16.

**Council Tax Freeze Grant** – the £2k projected surplus in council tax freeze grant is due to slightly higher than estimated grant payable from the DCLG

**Specific Grants** – the projected shortfall in specific grants is due to £19k less fire grant funding than indicated in initial communication from the DCLG which was used to set the budget.

**Council Tax** – any surplus or deficit in council tax receipts will impact on the budget for 2015/16. There has been no indication yet from the billing authorities whether there will be a surplus or deficit in council tax receipts.

## 5. Savings and efficiencies

Of the £1,272k savings offered up in the 2014/15 Medium Term Financial Plan £757k is from operations, £440k from Finance & Assets with the remaining £75k from the People and Organisation Development Directorate.

<b>Directorate</b>	<b>Target Saving £000</b>	<b>Forecast Actual Saving £000</b>	<b>Under/ (Over) Recovery £000</b>	<b>Comments</b>
Delivery, Corporate Development and Planning	757	240	517	Control room savings not expected to be achieved in 2014/15, covered by movement from reserves
People & Organisation Development	75	75	0	On target
Finance & Assets	440	433	7	Rental savings not achieved in 2014/15
<b>Total Savings</b>	<b>1,272</b>	<b>748</b>	<b>524</b>	

## 6. Capital Forecasts



Budget Monitoring Performance & Debt Management April-September 2014

The capital programme for 2014/15 is £1.282m which together with a number of carry-forward schemes totals £4.365m.

Project Name	Original Budget 2014-15	Agreed 13-14 Carry Forwards Executive	Virements in Year	Revised Budget 2014-15	Actual Year to Date	Commitments 2014/15	Forecast Outturn	Slippage to 2015/16	Year End Variance
Property	550,000	0	0	550,000	19,522	80,972	549,479	0	-521
Property Review	0	940,000	0	940,000	4,379	0	0	940,000	0
<b>Sub Total</b>	<b>550,000</b>	<b>940,000</b>	<b>0</b>	<b>1,490,000</b>	<b>23,901</b>	<b>80,972</b>	<b>549,479</b>	<b>940,000</b>	<b>-521</b>
BA Set Telemetry	174,000	0	0	174,000	0	0	174,000	0	0
Operational Equipment	57,150	36,494	0	93,644	17,414	7,257	57,150	36,494	0
PPE Uniform	33,200	0	0	33,200	32,814	0	33,814	0	614
Operational Vehicles	155,000	913,000	0	1,068,000	330,000	421,397	799,397	300,000	31,397
<b>Sub Total</b>	<b>419,350</b>	<b>949,494</b>	<b>0</b>	<b>1,368,844</b>	<b>380,228</b>	<b>428,654</b>	<b>1,064,361</b>	<b>336,494</b>	<b>32,011</b>
Sprinklers	0	14,500	0	14,500	0	0	14,500	0	0
<b>Sub Total</b>	<b>0</b>	<b>14,500</b>	<b>0</b>	<b>14,500</b>	<b>0</b>	<b>0</b>	<b>14,500</b>	<b>0</b>	<b>0</b>
ICT	260,000	102,992	24,114	387,106	14,019	94,511	387,106	0	0
ICT Projects		224,000	0	224,000	202,436	7,150	209,586	0	-14,414
Support Vehicles	52,900	0	0	52,900	0	53,260	52,900	0	0
Staff Cars		27,766	0	27,766	27,771	0	27,771	0	5
<b>Sub Total</b>	<b>312,900</b>	<b>354,758</b>	<b>24,114</b>	<b>691,772</b>	<b>244,226</b>	<b>154,921</b>	<b>677,363</b>	<b>0</b>	<b>-14,409</b>
Control Room	0	800,000	0	800,000	0	800,000	800,000	0	0
<b>Sub Total</b>	<b>0</b>	<b>800,000</b>	<b>0</b>	<b>800,000</b>	<b>0</b>	<b>800,000</b>	<b>800,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>1,282,250</b>	<b>3,058,752</b>	<b>24,114</b>	<b>4,365,116</b>	<b>648,355</b>	<b>1,464,547</b>	<b>3,105,703</b>	<b>1,276,494</b>	<b>17,081</b>

## Capital Funding

The capital programme will be funded as follows;

<b>Funding Source</b>	<b>£</b>
Capital Grant 2014/15	1,190,077
Unapplied/Unused Capital Grant 2013-14 Brought forward	302,222
Environmental Agency	24,000
Control Room Grant	800,000
Transfer from RCCO Reserve	789,404
<b>Total Funding</b>	<b>3,105,703</b>

### **Property Portfolio**

The property team was allocated £550k to carry out priority-1 repairs identified in the property condition survey in 2013. Repair work has begun in some of the stations, in particular Great Holm, Chesham, Stokenchurch and Newport Pagnell. The Stokenchurch kit room and lavatory block at Great Holm were upgraded while the other two stations had electrical work carried out. Yard repair works are due to commence in quarter 3 when it is anticipated the contract will be awarded.

### **Fire Appliances & Equipment**

The Aerial Replacement vehicle contract was awarded last financial year and we are currently in the final stages with the delivery date for the vehicle set for October. The Incident Command Unit contract was awarded in September with the estimated delivery to take place before the end of this financial year. The finance and procurement team are actively working with Service Development to ensure the specifications for the remaining operational vehicles can be agreed promptly to ensure we can start the tender process to guarantee delivery for most vehicles before the end of this financial year. However, the 4x4 appliances specification is still in discussion and yet to be agreed. Procurement have advised that due to the lengthy lead time for vehicle purchases (due to the technical requirements, chassis lead times and build time) it is unlikely that the project will now be delivered in this financial year, however they anticipate an order to be placed in this financial year and the likely build to be complete in 2015.

The planned expenditure for operational equipment for 2014/15 is for the following areas; new equipment for the 4x4 appliances, general equipment and BA telemetry. An additional £33k budget was assigned to replace and replenish the PPE uniform stock sizes which had depleted over the years and the funding will be used to purchase items with sizes suitable for the current workforce. The budget relating to the new equipment for the 4x4 appliances will also be slipped into next year as the equipment is likely to be ordered closer to when the appliance is built to ensure they are fit for purpose.

### **Community Safety**

A budget of £15k was slipped from last year to fund the purchase of several portable sprinklers as the Authority has begun a programme of installing portable domestic sprinkler systems in high fire risk premises and in the homes of high risk individuals, in order to protect the most vulnerable people within our community.

### **Support**

The planned expenditure of £360k for ICT relates to the following areas; new telephony system, demountable mobile data terminals, hardware replacement, virtual desktop environment, data cabling and software. The order for the demountable mobile data terminals was placed in June and there is a lead time of 12 weeks, installation is expected to take place in November. The project is currently showing an overspend as the original plan was to purchase the MDT1a model, however, the MDT working group decided the MDT2r model would be a more suitable option for meeting data and infrastructure requirements. Therefore the additional cost incurred to purchase the upgraded model will be funded from the control room project budget.

A number of ICT projects (£260k) were approved last financial year and majority of the budget was slipped due to difficulty in procuring hardware before the 31st March. However most of the hardware has now been procured and installation is likely to be completed in July with the handover to follow soon after installation is complete.

Part of the budget for staff cars was slipped last year as one vehicle was still due for delivery. The remaining vehicle was delivered in April and no further commitments are outstanding for this scheme. The £53k budget for support vehicles relates to two hydrant vehicles and one fleet vehicle. The order was placed in September with a lead time of 20 weeks and it is anticipated they will be delivered by February 2015.

## **7. Performance Indicators**

## Budget Monitoring Performance & Debt Management April-September 2014

The table below shows the performance targets and actuals (rolling averages) for the year to date.

<b>Description</b>	<b>2010/11 Actual</b>	<b>2011/12 Actual</b>	<b>2012/13 Actual</b>	<b>2013/14 Actual</b>	<b>2014/15 Target</b>	<b>2014/15 Actual (rolling average)</b>
Budget Monitoring Training	35.0%	100.0%	95.0%	85.0%	90.0%	100.0%
Managers accessing SAP Cost Centre Report	76.0%	100.0%	86.3%	80.6%	100.0%	59.5%
% invoices paid within 30 days	97.0%	100.0%	97.4%	98.0%	97.7%	99.9%
Budget Mon. Report turn-around (working days)	44 days	21 days	14 days	7 days	8 days	7 days

New cost centre managers are currently given initial budget monitoring training as and when necessary. The finance team is in the process of streamlining training approaches and creating new on-line e-learning training and guidance sessions that are easily accessible to all managers.

The average number of managers accessing the SAP cost centre report for September was 86%. The rolling average for the first half of the year is 59.5% which is significantly below the target set of 100%. This reduction is due to a number of managers being involved in planning prior to the periods of industrial action. Finance will continue to work with all cost centre managers to ensure that the performance against this indicator is improved and the target level is reached.

The consistent high level of creditor invoices paid within 30 days continued with 100% paid within 30 days in September. This has been consistently high each month across the first two quarters of the year and gives a rolling average of 99.9%, in line with the 2014/15 target.

The quarter 2 budget monitoring report was produced for the performance management board in three working days. This is a significant improvement on the target of eight days and is due to progress made by the finance team on streamlining and automating the budget monitoring process.

## 8. Debt Management

The table (below) shows the key Debtor performance figures for the first two quarters of the year;

<b>DEBTOR KEY PERFORMANCE INDICATORS 2014/15</b>	<b>Q1</b>	<b>Q2</b>
Debts over 60 days overdue	£42,779	£96,293
Total Debt outstanding	£205,968	£162,239
Debts over 60 days overdue as a % of total debt outstanding	20.9%	60.6%
Debts over 60 days overdue as a % of total income to date	1.7%	3.5%
Average time from raising invoices to receipt of income	18	22

The total debts over 60 days overdue have increased considerably during quarter 2. The above figure shows an average for quarter 2. The figure as at the end of September 2014 was £123,884.

Almost all of the debts over 60 days overdue at the end of the quarter relate to four main areas:

- Compensation payments due following court enforcement action
- Rental of aerial sites
- Income due for equipment provided to third parties during industrial action
- Lease car mileage rebates due

The court-ordered compensation payments are being repaid in installments, which the Authority has no control over. The Authority has now received 80% of payments relating to aerial sites, however the remaining 20% is still in dispute and is with a specialist solicitor. The dispute regarding recovery of income relating to equipment loaned out during industrial action is still ongoing. As for lease car mileage rebates, the Authority has received credit notes covering 90% of the rebate due. The credit notes do not match the invoice raised, which means this is currently in dispute between the Authority and customer.

The total debt has fallen and the reason for this is that Finance has automated the debt chasing process, allowing us to chase debt more efficiently. This should also be reflected in the average time from raising the invoice to receipt of income in future periods.

## 9. Virements

The table below shows in summary the virements actioned in this financial year to date on a subjective basis:

Budget Monitoring Performance & Debt Management April-September 2014

<b>Subjective</b>	<b>April 2014 Agreed Plan</b>	<b>Permanent virements</b>	<b>Revised base budget</b>	<b>Temporary in year virements</b>	<b>Revised Budget 14/15</b>
Employees - Direct	20,839,073	15,429	20,854,502	23,485	20,877,987
Employees - Indirect	930,846	-27,331	903,515		903,515
Premises	1,748,781	8,774	1,757,555		1,757,555
Transport	791,602	6,194	797,796	1,094	798,890
Supplies and Services	2,362,159	15,206	2,377,365	-31,029	2,346,336
Contingency & Provisions	1,283,332	-21,403	1,261,929	-6,890	1,255,039
3rd Party Payments	1,005,260	-18,400	986,860		986,860
Direct Revenue Financing	1,266,000		1,266,000		1,266,000
Capital Charges	690,000		690,000	24,114	714,114
Transfer to/from Reserve	-959,084		-959,084	4,842	-954,242
Grants, Reimbursements & Contributions	-125,825		-125,825		-125,825
Customer and Client Receipts	-953,279	21,531	-931,748	-15,616	-947,364
Interest Received	-70,000		-70,000		-70,000
<b>Grand Total</b>	<b>28,808,865</b>	<b>0</b>	<b>28,808,865</b>	<b>0</b>	<b>28,808,865</b>

**Temporary revenue virement requiring authorisation;**

A. Temporary movement of budget from various areas within service delivery to cover unbudgeted expenditure in service transformation

Budget Monitoring Performance & Debt Management April-September 2014

Cost Centre	Subjective	DR/CR	£	£	Approval Needed	
					SMB	Executive
Service Transformation	Employees - Direct	DR	195,039		Y	Y
Service Delivery	Employees - Direct	CR		-195,039		
<i>Temporary re-alignment of budget to cover Service Transformation</i>						

The SMB approval required for the above virement was granted at the meeting of 21 October 2014.