



Buckinghamshire & Milton Keynes Fire Authority

MEETING	Executive Committee
DATE OF MEETING	8 February 2017
OFFICER	David Sutherland, Director of Finance and Assets
LEAD MEMBER	Councillor Peter McDonald
SUBJECT OF THE REPORT	Budget Monitoring Performance and Debt Management April – November 2016
EXECUTIVE SUMMARY	<p>To present the provisional revenue and capital outturn position and debt management performance to 30 November 2016.</p> <p>The report in Appendix A sets out the Authority's revenue and capital spending position as at 30 November 2016, together with the projected outturn position for the financial year.</p> <p>Managers have positively and proactively controlled spend and forecast an underspend of £510k, against a revenue budget of £28.3m.</p> <p>In response to Members' request for more details on the cost of the bank system, further analysis has been provided in Section 3. This shows that while the cost of the bank system is increasing, the increased use is driving further overall savings in the cost of the whole-time establishment.</p>
ACTION	Decision/Information.
RECOMMENDATIONS	<ol style="list-style-type: none"> 1. That the latest projected outturn forecast for the Authority as at 30 November 2016 be noted. 2. That £200k of the projected underspend for 2016/17 is transferred to the Revenue Contributions to Capital Outlay (RCCO) reserve in order to add resilience to this area in future years.
RISK MANAGEMENT	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.
FINANCIAL IMPLICATIONS	As set out in the main body of the report.

LEGAL IMPLICATIONS	None.
CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION	None.
HEALTH AND SAFETY	None.
EQUALITY AND DIVERSITY	None.
USE OF RESOURCES	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.
PROVENANCE SECTION & BACKGROUND PAPERS	<p>Background</p> <p>Medium Term Financial Plan 2016/17 to 2019/20, CFA Meeting 10 February 2016: http://bucksfire.gov.uk/files/4614/5459/6672/Fire_Authority_Summons_and_Agenda_100216_72dpi.pdf</p> <p>Budget Monitoring Performance and Debt Management April - September 2016: http://bucksfire.gov.uk/files/1414/7879/2916/EXECUTIVE_COMMITTEE_AGENDA_231116_compressed.pdf</p>
APPENDICES	Appendix A – Budget Monitoring Performance and Debt Management April – November 2016
TIME REQUIRED	10 Minutes
REPORT ORIGINATOR AND CONTACT	<p>Mark Stevens (Revenue) and Asif Hussain (Capital)</p> <p>mstevens@bucksfire.gov.uk ahussain@bucksfire.gov.uk</p> <p>01296 744425 and 01296 744421</p>

Appendix A

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 November 2016. The budget of £28.3m is compared to the forecast outturn to give a forecast year-end underspend of £510k.

Directorate	Area Manager	Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance
Corporate Core	Corporate Core	913,260	674,237	866,515	-46,745
	Legal & Governance	84,350	42,123	84,350	0
Corporate Core Total		997,610	716,361	950,865	-46,745
Finance & Assets	Finance & Procurement	972,490	692,661	979,060	6,570
	Resource Management	2,111,760	1,437,226	2,037,399	-74,361
Finance & Assets Total		3,084,250	2,129,887	3,016,459	-67,791
People & Organisation Development	Training & Development	1,747,726	1,130,779	1,880,818	133,092
	Operations & Services	779,940	531,194	796,409	16,469
People & Organisation Development Total		2,527,666	1,661,973	2,677,227	149,561
Delivery, Corporate Development & Planning	Service Delivery	15,350,794	9,208,404	14,859,249	-491,545
	Service Development	473,275	487,226	454,580	-18,695
	Service Transformation	1,269,970	965,832	1,747,704	477,734
	IT and Communications	1,421,725	799,929	1,331,487	-90,238
Delivery, Corporate Development & Planning Total		18,515,764	11,461,391	18,393,020	-122,744
Statutory Accounting & Contingency	Capital Charges	873,886	-1,092,249	833,886	-40,000
	Direct Revenue Financing	1,290,114	1,290,114	1,290,114	0
	Contingency	818,240	34,186	352,181	-466,059
	Non Distributed Costs	215,170	140,929	216,966	1,796
Statutory Accounting & Contingency Total		3,197,410	372,980	2,693,147	-504,263
Total Expenditure		28,322,700	16,342,591	27,730,718	-591,982
Total Funding		-28,322,700	-21,265,062	-28,241,101	81,599
Net Position		0	-4,922,471	-510,383	-510,383

The key variations in directorate budgets compared to year-end outturn shown above in Table 1 are:

Finance & Assets £68k under – This variance relates to the vacant Resource Manager post and unbudgeted income received from aerial sites. Employment agency payments in Workshops and Procurement, as well as more minor overspends across the directorate then bring the favourable variance down to the headline figure that is being seen here.

People & Organisation Development £150k over – An overspend is being seen in this directorate because the costs of the apprenticeship scheme are being picked up here, while being funded from underspends elsewhere in the organisation. The overall adverse variance is then reduced by under establishments in the POD directorate.

Delivery, Corporate Development & Planning £123k under –

Service Delivery: Staffing levels are lower than budgeted in this area due to retirements and leavers in previous years, while on-call firefighter employment is significantly below budgeted establishment levels. The underspends which result from this are then utilised for apprenticeships seen in POD, the 'bank' system seen under this directorate and non-grey book staffing seen below. £500k has been set aside to create a reserve for the apprenticeship scheme, while £200k has also been set aside to create a reserve for sprinkler initiatives next year.

Service Transformation: The bulk of overspends in this area relate to the non-grey book staffing initiative alluded to above, with temporary service transformation posts also contributing to overspends.

Statutory Accounting & Contingency £504k under - The contingency fund makes provision for any pay award and pay protection arrangements as well as exceptional items for which no budget has been approved during the budget setting process. The current level of the fund was reduced as part of the Medium Term Financial Plan for 2016/17, however, in-year savings are also held here as part of a new program of centralising budgets once they have been identified as bearing consistent underspends. It is also recommended that £200k of underspend is transferred from this area, into a reserve to fund revenue contributions to capital in future years (see Recommendation 2).

2. Direct Employee Costs

Table 2 shows the budget and provisional outturn for each sub-heading within the direct employees subjective as at the end of November 2016.

Staffing	Total Budget	Actual Year to Date	Forecast Outturn	Variance
Members of the Brigade	12,741,410	8,176,432	12,377,966	-363,444
Retained Duty System	1,684,554	774,357	1,258,625	-425,929
Administrative Staff	3,852,084	2,501,768	3,789,810	-62,274
Control Room Staff	0	34,312	0	0
Casual Employees	61,450	41,594	59,782	-1,668
Technicians	244,120	167,642	251,937	7,817
Members Allowances	72,780	38,898	72,780	0
Allowances	747,330	443,394	666,911	-80,419
Agency Staff	109,040	183,125	297,475	188,435
Grand Total	19,512,768	12,361,522	18,775,286	-737,482

Members of the Brigade – this relates to lower staffing levels than budgeted, however, the cost of the bank system in 2016/17 can be seen to offset these favourable variances to a degree (see Section 3 for further analysis of bank costs).

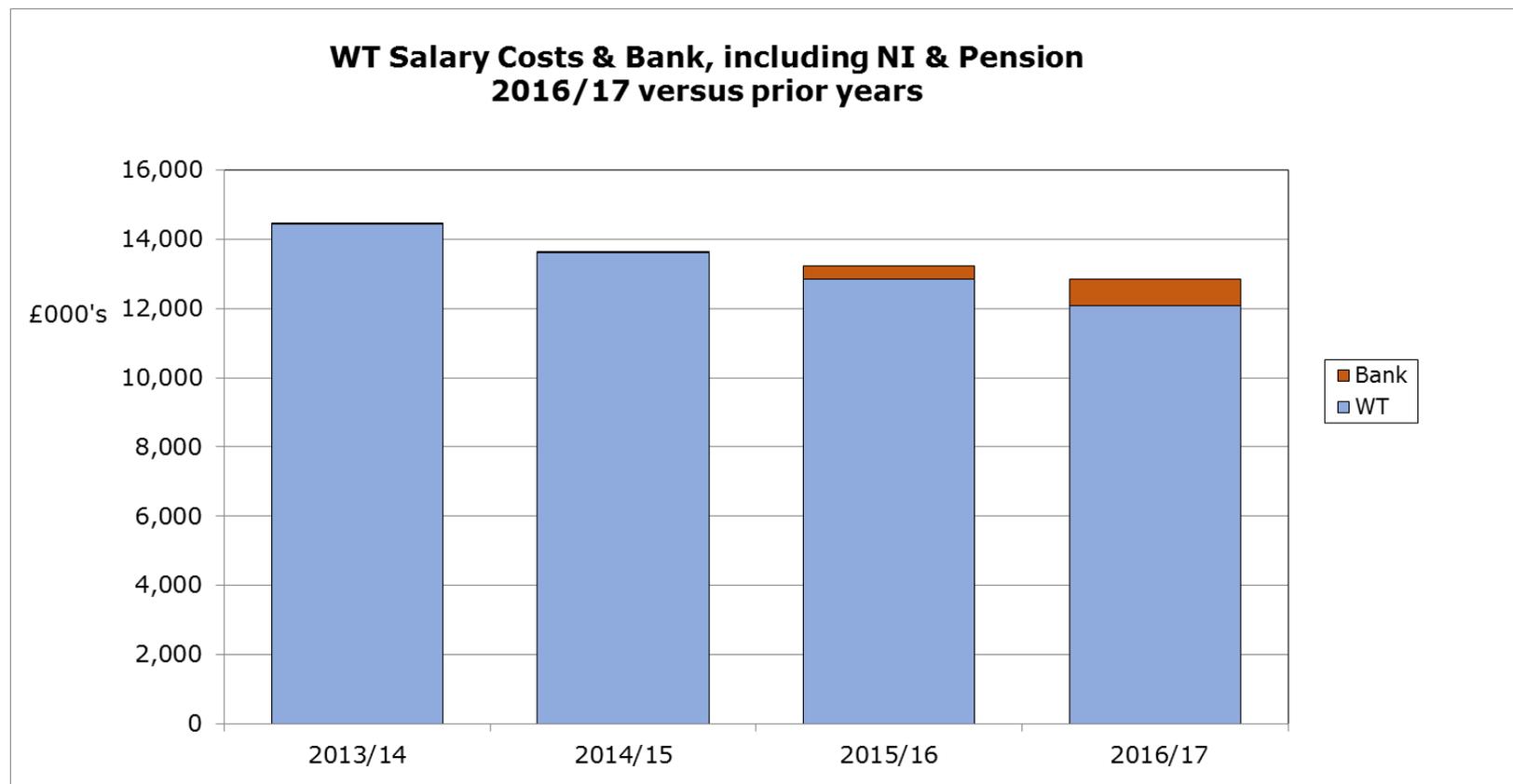
Retained Duty System – on-call firefighter employment is currently significantly under budgeted establishment levels.

Administrative Staff – Underspends in Finance, KIS, the driving school, Fire Protection, Staff Development, Corporate and Forward Planning and in relation to the Resource Manager post can be seen to outweigh overspends in this area. With regard to overspends, elements include a Programme Manager and work placement role assigned to facilitate service transformation, as well as a temporary member of staff in Property, while a Business and Systems Integration Project Manager post will be funded from earmarked reserves as planned.

Agency Staff – agency staff have been used to cover interim vacancies in the Finance and Procurement team as well as to support projects in Property and short-term resourcing in Workshops.

3. Bank cost analysis

The table below shows whole-time operational staff costs from 2013/14 onwards, with Bank payments forming part of these from 2015/16.



Dec/Jan/Feb and Mar 2016/17 figures are projections based on November salary costs and profiled Bank forecasts

The Authority has been proactive in developing resilient resourcing models in order to meet known risk and demand levels of the service, while maintaining response standards. Examples of this approach include operating with a smaller regular establishment, which is reinforced by on-call and whole-time firefighters working 'Bank' shifts, as well as a number of FFs on more flexible local terms and conditions.

With a smaller regular establishment being achieved via falling staff numbers from 2013/14 -due to retirements and leavers- the 'Bank system' offers BMKFRS a flexible resource, designed to maintain appliance availability in the event of crewing shortfalls.

The aforementioned figures show how costs have continued to fall over the last few years, driven by the introduction of this more flexible resource.

4. 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

		Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance
A.	Employee Direct Costs	19,512,768	12,361,522	18,775,286	-737,482
B.	Knowledge & Information Services	1,304,617	757,454	1,264,334	-40,283
C.	Fuel Charges	280,760	133,508	218,000	-62,760
D.	Energy/Utilities	277,670	97,835	273,437	-4,233
E.	Employment Agencies/Consultants	109,040	183,125	297,475	188,435

- The variances for A. B. and E. are as noted in Section 2 above, while fuel is underspent as both usage and cost per litre are currently lower than budgeted.

5. Funding

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

	Govt Funding £000	Business Rates £000	NNDR Pooling £000	Specific Grants £000	Council Tax Receipts (incl. 15/16 surplus) £000	Total Funding £000
Budget 2016/17	-4,507	-4,874	-164	-1,099	-17,679	-28,323
Budget Year to Date	-3,413	-3,691	-124	-832	-13,390	-21,451
Actual to Date	-3,413	-3,657	0	-805	-13,390	-21,265
Variance Year to Date	0	34	124	28	0	186
Forecast Outturn	-4,507	-4,829	-164	-1,062	-17,679	-28,241
Projected Year End Variance	0	45	0	37	0	82

Current projections show the majority of funding streams to budget.

The Home Office have now confirmed New Dimensions funding for the full financial year following review of mass decontamination capabilities. Levels are £37k lower than originally projected due to an adjustment in relation to the Incident Response Unit.

In addition to this, exact funding levels resulting from NNDR pooling arrangements are uncertain at this stage and Business Rates will be approximately £45k less than budgeted, due to a change to the way cap compensation is distributed to authorities.

6. Savings and efficiencies

Of the £559k savings offered up in the 2016/17 Medium Term Financial Plan, £17k is from Corporate Core, £21k from Finance & Assets, £44k from POD and £476k from Delivery, Corporate Development and Planning.

Directorate	Target Saving £0	Forecast Actual Saving £0	Under/ (Over) Recovery £0
Corporate Core	16,779	16,779	-
Finance & Assets	21,335	21,335	-
People & Organisation Development	44,394	44,394	-
Delivery, Corporate Development and Planning	476,492	476,492	-
Total Savings	559,000	559,000	-

Corporate Core, Finance and Assets and POD – Supplies and services budgets have been reduced based on historical analysis of actual spend in this area.

Delivery, Corporate Development and Planning – The new firefighter pension scheme has been modelled into the budgeted establishment to reflect the lower cost of the 2015 scheme.

7. Capital Forecasts

The capital programme for 2016/17 is £3.236m and in October 2016, an additional budget of £6.763m was agreed to fund the blue light hub which together with a number of carry-forward schemes totals £16.451m.

Project Name	Original Budget 2016-17	Agreed 15-16 Carry Forwards	In year budget agreed (Oct 16)	Revised Budget 2015-16	Actual Year to Date	Commitments 2015/16	Forecast Outturn	Slippage to 2017/18	Year End Variance
Property	500,000	194,615		694,615	297,952	73,607	544,615	150,000	0
Property Review	0	5,161,125	6,763,375	11,924,500	719,417	105,451	824,868	11,099,632	0
Sub Total	500,000	5,355,740	6,763,375	12,619,115	1,017,369	179,058	1,369,483	11,249,632	0
CCTV Cameras	45,000	50,000		95,000	35,000	4,125	95,000	0	0
Operational Vehicles Red Fleet	2,300,000	696,000		2,996,000	543,920	2,041,590	1,960,000	996,000	(40,000)
Operational Vehicles White Fleet	132,000	0		132,000	72,854	39,545	140,000	0	8,000
Hydraulic Equipment	56,000	0		56,000	0	0	56,000	0	0
Water Tankers	0	80,000		80,000	0	80,000	80,000	0	0
Operational Equipment	93,000	66,263		159,263	48,817	43,688	159,263	0	0
Sub Total	2,626,000	892,263	0	3,518,263	700,591	2,208,947	2,490,263	996,000	(32,000)
ICT	110,000	203,503		313,503	103,850	177,636	313,503	0	0
Sub Total	110,000	203,503	0	313,503	103,850	177,636	313,503	0	0
Total	3,236,000	6,451,506	6,763,375	16,450,881	1,821,811	2,565,641	4,173,249	12,245,632	(32,000)

Funding

The capital programme will be funded as follows:

Funding Source	£
Capital Receipts	40,000
Transfer from RCCO Reserve	4,133,249
Total Funding	4,173,249

Property Portfolio

The Property team have been allocated £500k for 2015/16, which relates to priority 2 repairs as identified in the condition survey and other priorities identified within the property strategy. A slippage amount of £5.356m has been carried over from 2015/16 with the majority of the slippage relating to the property review.

As at the end of November, several stations have had repairs and refurbishments completed. In particular, a new modular building has been installed at Beaconsfield station and refurbishments at Newport Pagnell and Aylesbury station have been completed. Further works are scheduled in at several stations which are due to commence in quarter 4. A slippage of £150k is being reported based on outstanding priority 2 repairs which will not take place this financial year due to other commitments. In October 2016, a report was presented to the Authority detailing the funding required going forward for the MK project. The additional funding was approved by Members. It is however anticipated that most of the budget will be spent in 2017/18 when the building works are likely to commence and therefore a slippage of £11.250m is currently being reported.

Fire Appliances & Equipment

A budget of £2.3m and £132k was allocated to purchase several red and white fleet appliances. Orders for the red fleet appliances have been placed with the first set of appliances expected to be delivered in March. The remaining appliances will be delivered from April 2017 onwards. Due to most of the appliances being delivered from April onwards, £996k is being slipped as the final installment for the appliances will not be made until all appliances have been delivered to the Authority. A underspend of £40k is currently being projected in the red fleet appliance budget due to the efficient work carried out by Procurement and the Operational leads in ensuring value for money was achieved when procuring for the appliances. It is recommended that some of the £40k underspend is utilised to purchase the USAR canine vehicle. A separate business case will be presented to Members to request approval for the reallocation of the current underspend projected.

A slippage of £696k relates to four red fleet appliances (part of 2015/16 capital programme) which were expected to be delivered by December 2016. However a further delay in the build caused by the supplier has pushed this date back further. On-going

discussions are taking place between the Fleet Manager and the supplier to discuss a way forward. It is expected that one of the four appliances will be delivered in January 2017.

Two of the four white fleet vehicles have been delivered with the remaining expected to be delivered by the end of the financial year. CCTV installation is progressing well with all vehicle installations expected to be completed by the end of the financial year. The budget for the water tanker has slipped from last year but an order has now been placed and delivery expected in quarter 4. Hydraulic equipment and operational equipment orders are being placed throughout the year.

Support

ICT was allocated a budget of £110k which is for the Wi-Fi upgrade and the replacement of hardware. A balance of £204k has been brought forward from the previous year with majority of the slippage relating to the telephony project and the server upgrade. The server upgrade is now complete with the telephony project likely to commence in quarter four. The delay in commencement has been caused by the supplier who is unable to start the telephony project until they have completed a similar installation at a neighboring council.

8. Reserves

The table below shows the projected movement in reserves during the year.

Reserves	Balance at start of year £000	Projected Additions £000	Projected Use of £000	Projected year-end balance £000
General Fund	-2,165	-310		-2,475
Earmarked Reserves (Revenue)	-2,037	-750*		-2,787**
Earmarked Reserves (Capital)	-6,961	-1,977***	4,173	-4,765

* This figure includes the £500k underspend to be transferred to a reserve to help fund the apprenticeship initiative in future years in addition to the £200k underspend to fund the joint sprinkler initiative in future years.

** This figure includes £369k, which represents this Authority's share of the joint control room renewals fund (which is held by Oxfordshire Fire and Rescue Service) and £1,166m held in relation to the Business and Systems Integration project which is currently being implemented with a new HR and Finance system due to go-live in April 2017.

*** This figure also includes the £200k underspend which is being recommended to be transferred into a reserve to fund revenue contributions to capital in future years (see Recommendation 2).

9. Performance Indicators

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

Description	2015-16 Actual	2016/17 Target	2016/17 Actual (rolling average)
Budget Monitoring Training	100.0%	100.0%	100%
Managers accessing SAP Cost Centre Report	100%	100.0%	100%
% invoices paid within 30 days`	99.67%	99%	99.81%
Budget Mon. Report turn-around (working days)	7 days	7 days	6 days

Budget monitoring training is provided to managers assuming responsibility for budget management and control. A risk based approach is applied to budget monitoring with resources allocated to high risk areas. This supports a proactive challenge role for Finance and budget holder engagement. Compliance to date has been at 100%.

Invoices paid within 30 days has a rolling average of 99.81% as at the end of November.

10. Debt Management

The table below shows the key debtor performance figures for 2016/17:

DEBTOR KEY PERFORMANCE INDICATORS 2016/17	Q1	Q2	Nov 16
Debts over 60 days overdue	£54,098	£29,132	£13,271
Total Debt outstanding	£119,382	£70,786	£52,351
Debts over 60 days overdue as a % of total debt outstanding	43.42%	37.72%	29.06%
Debts over 60 days overdue as a % of total income to date	2.64%	1.33%	0.67%
Average days from raising invoices to receipt of income	65 days	37 days	16 days

The above figures show the quarterly average of debt during 2016/17. As at the end of November, the average total debt outstanding was £52k, of which £13k relates to debt 60 days overdue. Total debt outstanding as at the end of November 2016 was £36k, with the actual value of debts over 60 days overdue being £15k. November 2016 saw a reduction in this area, resulting in a significant decrease in average debt during quarter three.

The decrease in total debt outstanding is mainly due to the collection of income relating to officers seconded to other Fire and Rescue Services.

All debt over 60 days relates to awards of legal costs made in favour of Bucks Fire & Rescue Service against defendants after being successfully prosecuted for breaches of fire safety regulations. Once a court order has been made the Authority has little control over the timing of these payments.

The 'average days' taken to raise an invoice and then receipt income as at the end of November is 16 days.