



Buckinghamshire & Milton Keynes Fire Authority

MEETING	Fire Authority
DATE OF MEETING	17 October 2018
OFFICER	Mark Hemming, Director of Finance and Assets
LEAD MEMBER	Councillor Peter McDonald
SUBJECT OF THE REPORT	Efficiency Plan Progress Report
EXECUTIVE SUMMARY	<p>The purpose of this paper is to update Members on the progress of the Efficiency Plan.</p> <p>The Efficiency Plan was approved by the Executive Committee at its meeting on 21 September 2016 and was a pre-requisite for the Service to accept the guaranteed four-year settlement.</p> <p>The Plan contained total savings required of £4.5m between 2015-16 to 2019-20. It is forecast that by the end of this period the Authority would have achieved savings totalling £5m.</p> <p>However, the Service has also been subject to increased costs. Annex A details the savings and costs, noting the increased funding available, as well as the planned use of reserves in order to set a balanced budget.</p> <p>Although the Service has made significant savings to date, there are limited further savings that can be made without affecting service quality, especially frontline appliance availability. We will continue to lobby for the Council Tax referendum limits to be increased, and to be expressed in monetary terms so as not to disadvantage authorities that have shown significant financial restraint in previous years.</p>
ACTION	Noting.
RECOMMENDATIONS	That the progress against the Efficiency Plan be noted.
RISK MANAGEMENT	No direct impact.
FINANCIAL IMPLICATIONS	All financial implications are shown in the main body of the report.
LEGAL IMPLICATIONS	No direct impact.
CONSISTENCY WITH THE PRINCIPLES OF	No direct impact.

THE DUTY TO COLLABORATE	
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	No direct impact.
PROVENANCE SECTION & BACKGROUND PAPERS	<p>Background</p> <p>Four Year Settlement and Efficiency Plan, Executive Committee, 21 September 2016: https://bucksfire.gov.uk/files/3414/7333/8081/ITEM_6_BMKFA_Efficiency_Plan_Appendix.pdf</p>
APPENDICES	Annex A - Efficiency Plan Progress Report Appendix 1 - Additional Tables
TIME REQUIRED	15 minutes
REPORT ORIGINATOR AND CONTACT	Mark Hemming mhemming@bucksfire.gov.uk 01296 744687

Annex A – Efficiency Plan Progress Report

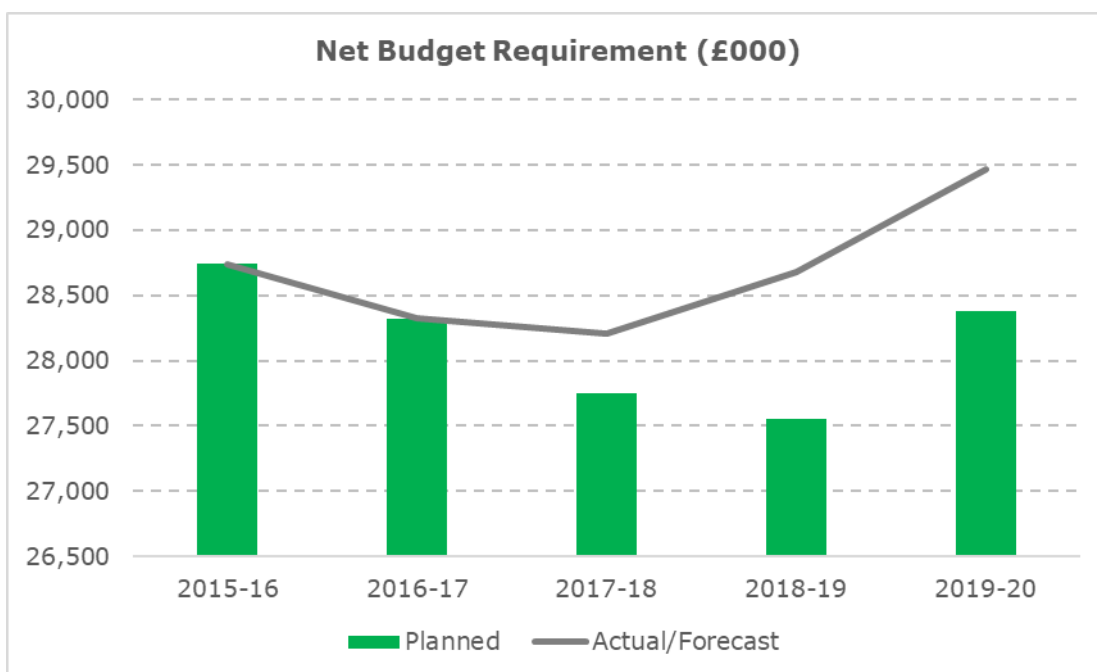
1. Introduction

- 1.1. The Efficiency Plan was approved by the Executive Committee in September 2016. A robust and transparent efficient plan was required in order to accept the Government’s offer of a firm four-year funding allocation through to the end of 2019-20.
- 1.2. This report sets out progress against the Plan to date, as well as projecting forward to the final year of the Plan.

2. Net Budget Requirement

- 2.1. The Net Budget Requirement is the total expenditure of the Authority, less any income (excluding funding).
- 2.2. The table and chart below show the Net Budget Requirement for each year in the Plan, compared to the actual budget approved by the Authority each year (and the current forecast for 2019-20):

	Net Budget Requirement (£000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Planned	28,740	28,323	27,750	27,552	28,381
Actual/Forecast	28,740	28,323	28,210	28,675	29,465
Higher/(Lower)	0	0	460	1,123	1,084



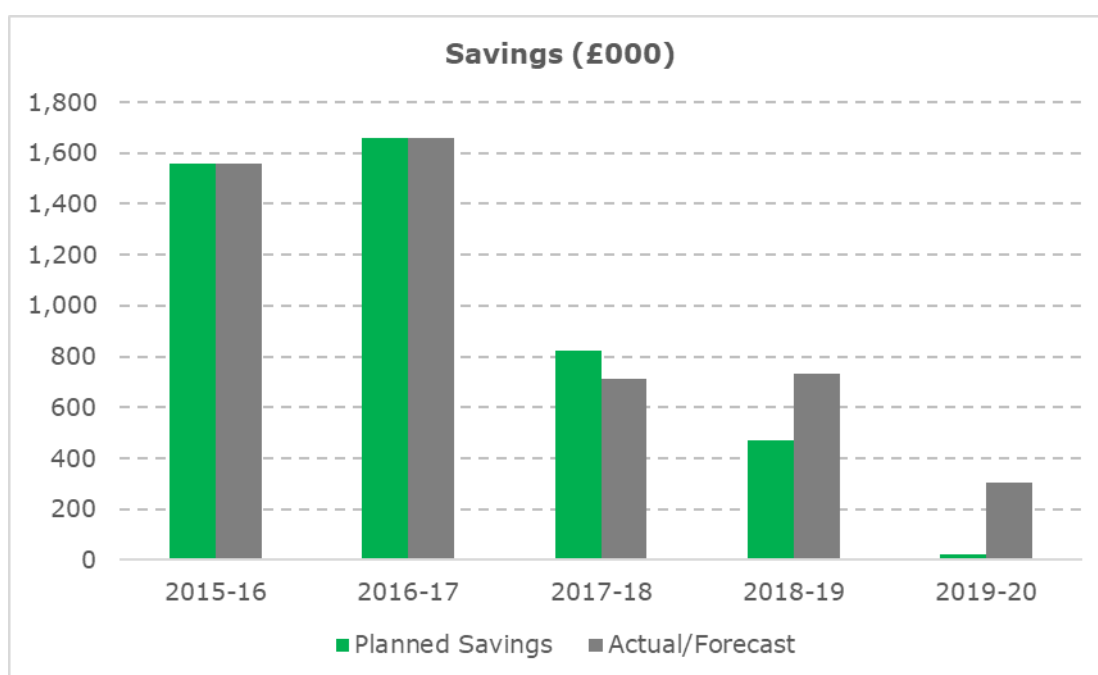
- 2.3. In the table above it should be noted that the budget for 2018-19 is £183k higher than that approved by the Fire Authority in February 2018. This is due to the proposed pay award being 2% rather than 1% for the year.
- 2.4. The movement in the Net Budget Requirement can be explained by higher expenditure than planned, as well as variances against planned income. The table below shows the split of these variances for each year:

Net Budget Requirement Movement (£000)					
	2015-16	2016-17	2017-18	2018-19	2019-20
Expenditure	0	0	410	1,198	1,159
Income	0	0	50	-75	-75
Net Movement	0	0	460	1,123	1,084

2.5. The variation in Expenditure is explained in Section 4 of this report, and the variation in income is explained in Section 5.

3. Savings

3.1. The Efficiency Plan required total savings of £4.5m between 2015-16 and 2019-20. We are currently forecasting that by the end of 2019-20 total savings made will total £5m. The chart below shows savings in the Plan, compared to actual savings for each year (and forecast savings for 2019/20):



3.2. Although planned savings have been achieved there have also been additional costs experienced, which weren't in the original Plan. The table below shows the savings as per the chart above, plus additional growth, which reconciles to the Expenditure variations shown in Section 2.4:

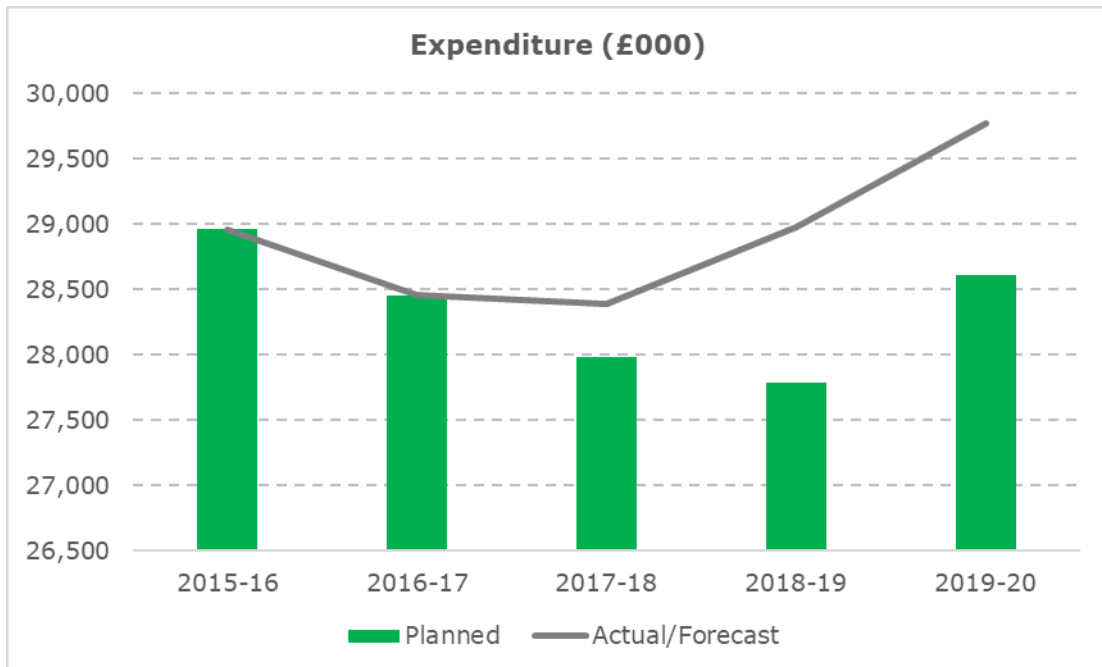
Savings and Growth (£000)					
	2015-16	2016-17	2017-18	2018-19	2019-20
Planned Savings	1,557	1,658	822	469	20
Actual/Forecast	1,557	1,658	710	732	306
Higher/(Lower)	0	0	-112	263	286
Growth	0	0	298	1,051	247
Net Growth	0	0	410	788	-39
Cumulative Growth	0	0	410	1,198	1,159

3.3. A breakdown of the variation in savings and unplanned growth by category can be seen in Appendix 1.

4. Expenditure

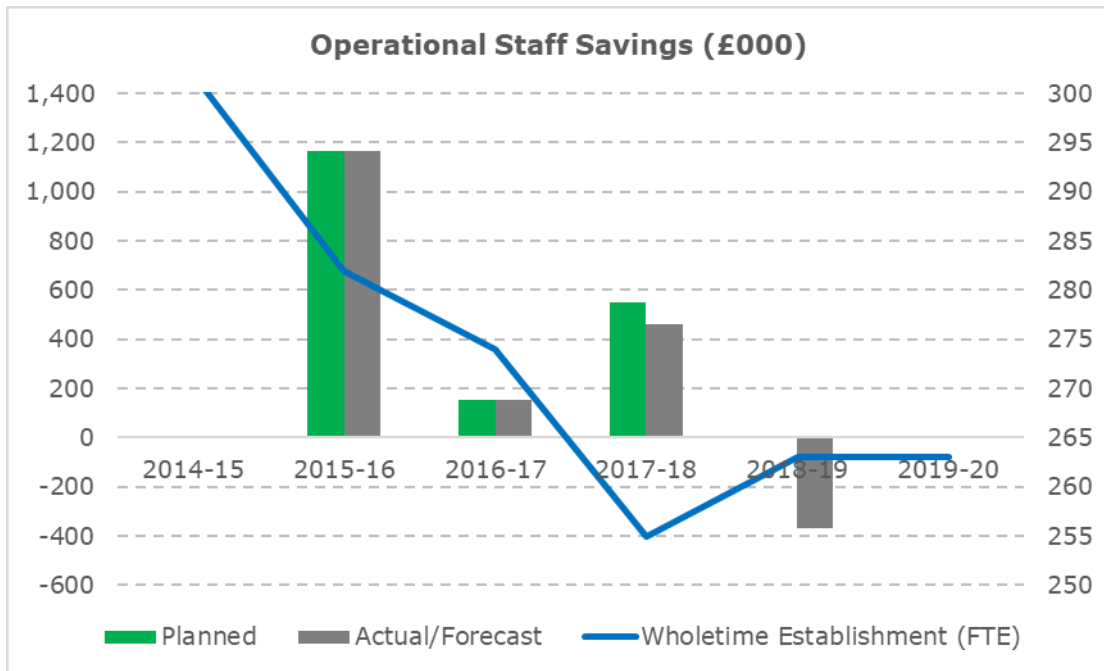
4.1. The table and chart below show the Expenditure for each year in the Plan, compared to the expenditure budget approved by the Authority each year (and the current forecast for 2019/20):

	Expenditure (£000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Planned	28,957	28,455	27,980	27,782	28,611
Actual/Forecast	28,957	28,455	28,390	28,980	29,770
Higher/(Lower)	0	0	410	1,198	1,159



4.2. As noted in Section 3, the variation in expenditure can be explained by variations in savings, added to unplanned growth. As noted earlier, the variation in savings and growth by category can be seen in Appendix 1. This section explains the most significant variances.

4.3. The largest net increase in expenditure is in Operational Staffing. The Authority has reduced the size of the Operational Staff considerably since the end of 2014-15, when there were a total of 302 wholetime staff budgeted for. This number went down as low as 255 in 2017-18, but was increased slightly to 263 in 2018-19 to improve resilience. Throughout this period, the Authority has still maintained the same number of pumps available and efficiencies have been achieved through innovative resourcing models, such as the use of bank staff and flexible firefighters. The chart on the following page shows the savings made against the Plan, as well as noting the number of wholetime operational staff within the budget:

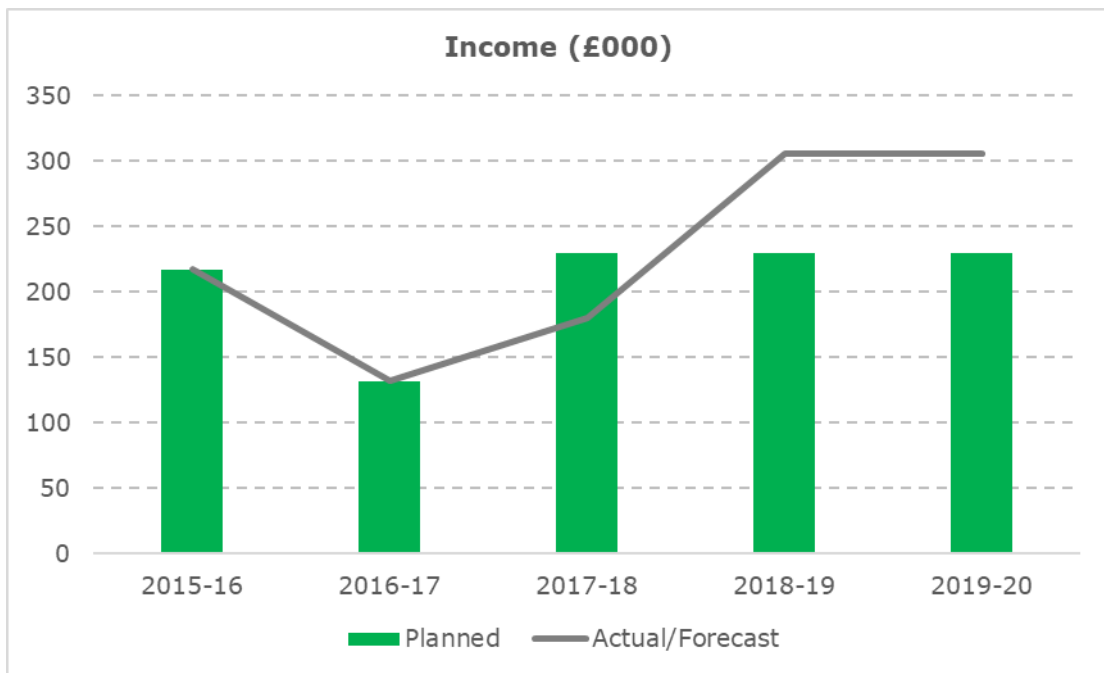


- 4.4. Another significant variation is in relation pay awards. The Efficiency Plan was based on an assumption of a 1% increase per annum, which was in line with the public sector pay cap at the time. However, the proposed pay award for 2018-19 is 2%, and it seems likely this will also be the case for 2019-20. This is forecast to cost the service an additional £366k per annum by 2019-20 (the remainder of the variance noted in Appendix 1 is due to job re-evaluations).
- 4.5. Property costs are showing a net variation of £177k compared to the Plan. This is due to delays in completion of the Blue Light Hub in Milton Keynes. These savings are now forecast to be realised in 2020-21.
- 4.6. A number of items make up the additional costs within Other Running Costs. Some of the significant items include an increase in Business Rates, as well as additional investment in Personal Protective Equipment (PPE), Staff Development and procuring external operational assurance services to quality assure our operational performance.

5. Income

- 5.1. As noted in Section 2, the variation in forecast income has had an impact on the Net Budget Requirement (although this is relatively small compared to the movement in Expenditure).
- 5.2. The table and chart below shows income in the Plan, compared to budgeted income for each year (and forecast income for 2019/20):

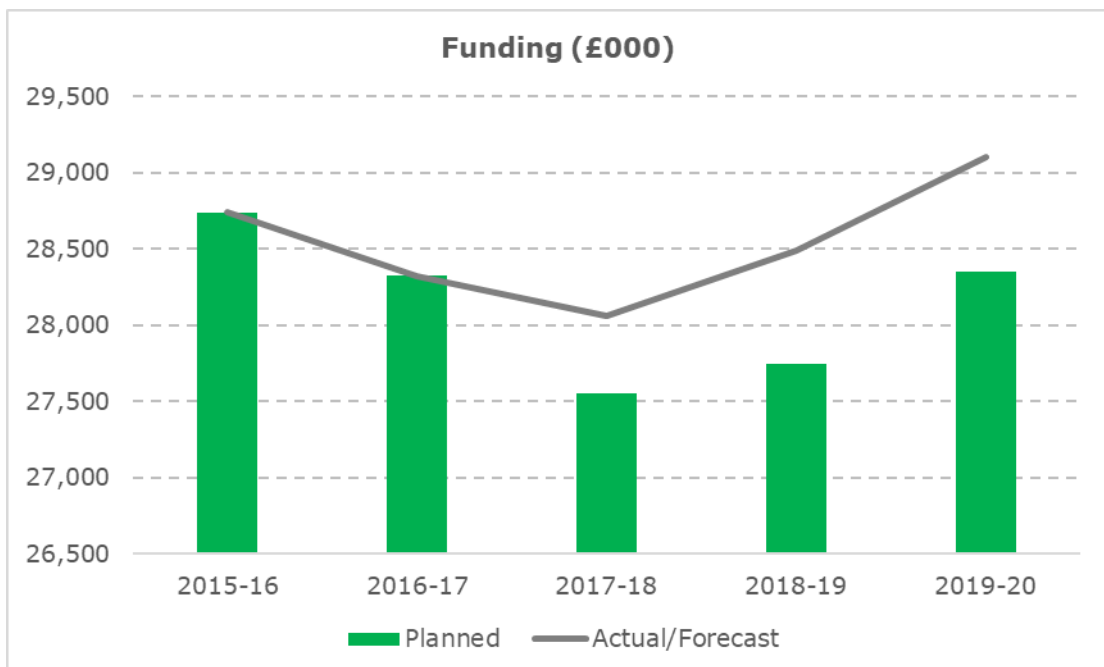
	Income (£000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Planned	217	132	230	230	230
Actual/Forecast	217	132	180	305	305
More/(Less)	0	0	-50	75	75



5.3. Budgeted income was lower than planned in 2017-18 as the increased income target for Treasury Management was delayed until 2018-19 due to market conditions at the time. Additional income is seen in 2018-19 and 2019-20 due to successful renegotiation of lease agreements for telecommunications equipment on a number of drill towers across the county.

6. Funding and Reserves

6.1. Although the four-year settlement guaranteed the level of Revenue Support Grant through to 2019-20, there have been variations in other sources of funding during this period. The chart below shows funding in the Plan, compared to budgeted and forecast funding for each year:



6.2. For reference, the table below shows the variances as per the chart above, plus the forecast additional use of reserves required in order to set a balanced budget:

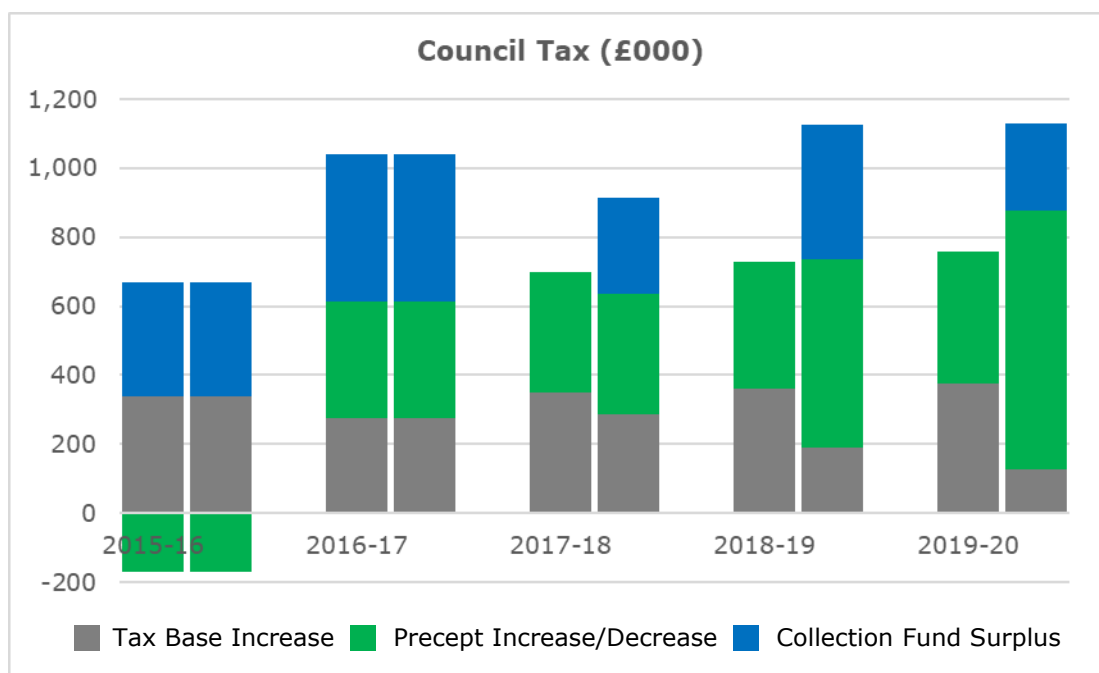
	Funding (£000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Planned	28,740	28,323	27,556	27,746	28,350
Actual/Forecast	28,740	28,323	28,060	28,492	29,099
Higher/(Lower)	0	0	504	746	749
Use of Reserves	0	0	150	183	366
Balancing Figure *	0	0	-194	194	-31
Net Movement	0	0	460	1,123	1,084

* This figure is required to reconcile the net movement as the original Efficiency Plan didn't balance exactly to zero

6.3. The variation in funding is due to two sources, Council Tax and Business Rates. The following table shows the split in the variation between these:

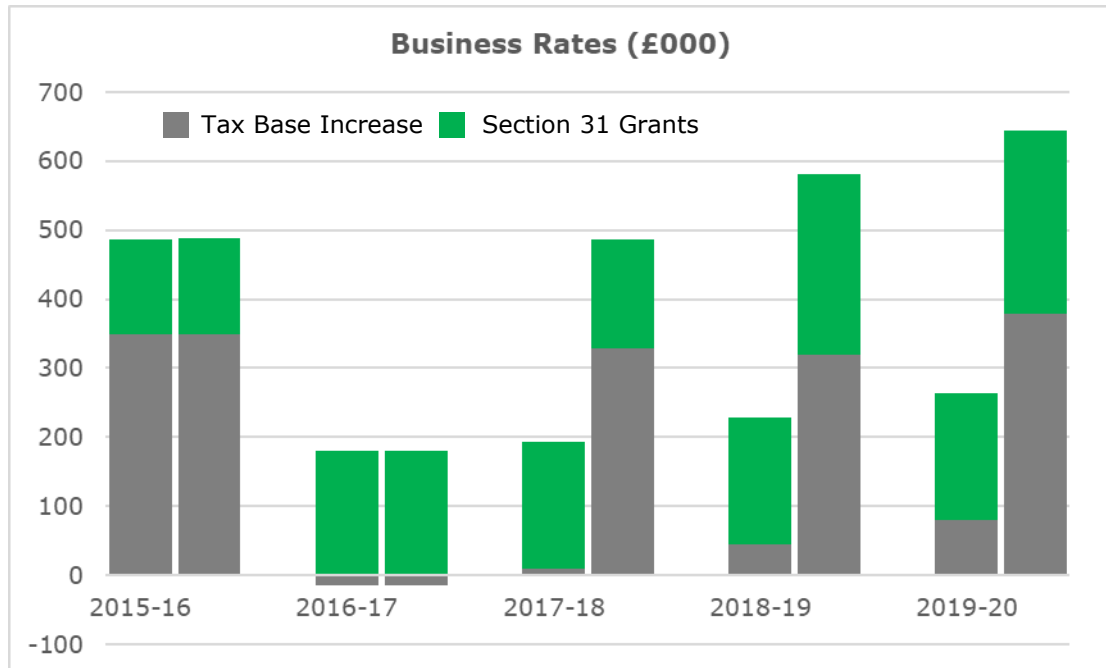
	Funding (£000)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Council Tax	0	0	214	395	370
Business Rates	0	0	290	351	379
Higher/(Lower)	0	0	504	746	749

6.4. The chart below further breaks down the variation in Council Tax between its principal elements. For each of the years shown below there are two columns. The left-hand column shows the amounts within the Efficiency Plan and the right-hand column shows the actual amounts received (or forecast amounts for 2019-20 only):



- 6.5. As can be seen on the previous page, the primary reason for the increase is the Collection Fund surplus. At the time the plan was set a prudent view was taken and no surpluses beyond 2016-17 were forecast. Lower than predicted growth in the base meant that (excluding the surplus) Council Tax receipts were lower than forecast in 2017-18. The increase in the referendum limit from 2% to 3% for 2018-19 helped mitigate this, and will help to provide slightly more funding than forecast in 2019-20.
- 6.6. The Authority continues to lobby for the referendum limit to be increased in order to mitigate forecast deficits in future years and increase investment in key areas of the service. We continue to highlight that despite a longer-term decrease in demand, fire and rescue authorities need to be resourced for risk. There are also a number of pressures facing the service, including the recruitment and retention of on-call firefighters, the cost of training new apprentices, declining central government grant funding and the likelihood of pay awards being higher than the 1% included within the Efficiency Plan.
- 6.7. A number of other categories of authority currently have significant additional flexibility not available to fire and rescue authorities. Most notably, Police and Crime Commissioners were able to increase their precept by up to £12 in 2018-19 and will have the same flexibility available to them for 2019-20.
- 6.8. This Authority has the lowest Band D equivalent Council Tax of all non-metropolitan combined fire and rescue authorities. Continuing to express the referendum limit in percentage terms disproportionately penalises those authorities that have shown significant restraint in increasing Council Tax in prior years. As well as lobbying for the referendum limit to be increased, the Authority will continue to assert that limits should be expressed in monetary terms, not percentage terms.

6.9. The chart below breaks down the variation in Business Rates between its principal elements. For each of the years shown below there are two columns. The left-hand column shows the amounts within the Efficiency Plan and the right-hand column shows the actual amounts received (or forecast amounts for 2019-20 only):



6.10. Having experienced a contraction in the business rates base in 2016-17, the Authority took a prudent view and forecast low growth for future years. However, growth in business rates has picked up, resulting in additional funding not forecast in the original Plan.

6.11. The Authority forecast that it wouldn't use general reserves to balance its budget during the life of the efficiency plan. The approved budgeted use of reserves shown in Section 6.2 for 2017-18 wasn't required, as the associated expenditure did not materialise.

6.12. The Authority anticipates it will need to use reserves to fund pay awards above 1% in 2018-19 and 2019-20.

Appendix 1 – Additional Tables**Table 1.1: Net Increase/(Decrease) in Expenditure by Category [Cumulative] (£000)**

	2015-16	2016-17	2017-18	2018-19	2019-20
Pay Award	0	0	14	197	380
Inflation	0	0	37	-51	-137
Operational Staffing	0	0	90	457	457
Non-Operational Staffing	0	0	183	31	31
Employer Pension Contributions	0	0	-47	-47	-47
Revenue Contribution to Capital	0	0	0	150	0
Contingency Budget	0	0	0	0	0
Debt Servicing Costs	0	0	0	0	0
Property Costs	0	0	0	177	177
Other Running Costs	0	0	133	284	298
Total	0	0	410	1,198	1,159

Table 1.2: (Additional)/Less Savings than in the Plan by Category (£000)

	2015-16	2016-17	2017-18	2018-19	2019-20
Pay Award	0	0	0	0	0
Inflation	0	0	0	-88	-86
Operational Staffing	0	0	90	0	0
Non-Operational Staffing	0	0	120	-152	0
Employer Pension Contributions	0	0	-47	0	0
Revenue Contribution to Capital	0	0	0	0	-150
Contingency Budget	0	0	0	0	0
Debt Servicing Costs	0	0	0	0	0
Property Costs	0	0	0	177	0
Other Running Costs	0	0	-51	-200	-50
Total	0	0	112	-263	-286

Table 1.3: Unplanned Growth by Category (£000)

	2015-16	2016-17	2017-18	2018-19	2019-20
Pay Award	0	0	14	183	183
Inflation	0	0	37	0	0
Operational Staffing	0	0	0	367	0
Non-Operational Staffing	0	0	63	0	0
Employer Pension Contributions	0	0	0	0	0
Revenue Contribution to Capital	0	0	0	150	0
Contingency Budget	0	0	0	0	0
Debt Servicing Costs	0	0	0	0	0
Property Costs	0	0	0	0	0
Other Running Costs	0	0	184	351	64
Total	0	0	298	1,051	247