

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	17 September 2014
OFFICER	David Skinner, Director of Finance & Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Budget Monitoring Performance and Debt Management April–June 2014 (Quarter 1)
EXECUTIVE SUMMARY	<p>To present to Members the revenue and capital budget monitoring and debt management performance report for the three months to 30 June 2014.</p> <p>The report at Appendix A sets out the Authority's revenue and capital spending position as at 30 June 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 £1.8m, against a revenue budget of £28.8m.</p> <p>Excluding the Statutory Accounting & Contingency items totaling £1,076k, the overall forecast underspend on operational budgets reduces down to £701k.</p>
ACTION	Information and decision.
RECOMMENDATIONS	<p>That the latest projected outturn forecast for the Fire Authority as at 30 June 2014 be noted</p> <p>That the budget virements (A) & (B) as detailed at the end of section 8 of the report be authorised.</p>
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.
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	Medium Term Financial Plan 2014/15 to 2017/18, CFA Meeting February 2014
APPENDICES	Appendix A – Budget Monitoring Performance and Debt Management April – June 2014
TIME REQUIRED	15 minutes.
REPORT ORIGINATOR AND CONTACT	Graham Young – Management Accountant gyoung@bucksfire.gov.uk 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 June 2014. The budget of £29m is compared to the forecast outturn to give a forecast year end underspend of £1,777k. If you take out the Statutory Accounting & Contingency items totaling £1,076k, we are forecasting a £701k overall underspend.

Directorate	Area Manager	Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance
Corporate Core	Corporate Core	883,721	165,337	882,803	-918
	Legal & Governance	107,117	23,476	104,441	-2,676
Corporate Core Total		990,838	188,813	987,244	-3,594
Finance & Assets	Finance & Procurement	1,028,449	455,707	1,014,305	-14,144
	Resource Management	2,115,787	516,410	2,111,698	-4,089
Finance & Assets Total		3,144,236	972,117	3,126,003	-18,233
People & Organisation Development	Training & Development	1,426,001	250,360	1,210,153	-215,848
	Operations & Services	716,178	214,118	658,264	-57,914
People & Organisation Development Total		2,142,179	464,478	1,868,417	-273,762
Delivery, Corporate Development & Planning	Service Delivery	15,014,776	3,434,016	14,470,889	-543,887
	Service Development	2,356,295	529,344	2,272,626	-83,669
	Service Transformation	1,475,717	492,049	1,698,063	222,346
Delivery, Corporate Development & Planning Total		18,846,788	4,455,408	18,441,579	-405,209
Statutory Accounting & Contingency	Capital Charges	1,128,000	360,492	1,128,000	0
	Direct Revenue Financing	1,266,000	1,266,000	1,266,000	0
	Contingency	1,081,558	0	0	-1,081,558
	Non Distributed Costs	209,266	-1,399	215,070	5,804
Statutory Accounting & Contingency Total		3,684,824	1,625,093	2,609,070	-1,075,754
Total Expenditure		28,808,865	7,705,909	27,032,313	-1,776,552

The key variations are;

Finance & Assets £18k under - The finance & procurement team is projecting an underspend of £14k which mainly relates to an insurance rebate, received in the year. The 4k underspend projected in resource management is made up of overspends in workshop relating to unidentified savings which are offset by underspends relating to vacant cleaner and workshop posts.

People & Organisation Development £274k under – An underspend in training & development relates to a savings initiative, designed to meet operational requirements with alternative staffing arrangements. Additional underspends are expected in relation to Occupational Health Scheme payments, adding to those resulting from vacant HR posts seen earlier in the year but which have now been recruited into.

Delivery, Corporate Development & Planning £405k under – Service delivery is projecting a £544k underspend with £226k relating to underspends on whole-time post elements. Of this £226k, £114k relates to employer pension contributions being less than budgeted, £38k relates to projected underspends on CPD, £26k underspends on overtime while £24k relates to lower than budgeted basic salary payments and £15k lower employer national insurance contributions partly due to deductions made during industrial action. This area is being reviewed in detail with budget managers in order to ensure that forecasts are accurate and will be reported in the next quarterly monitoring report.

An additional underspend of £144k relates to on-call salary elements, where the organisation is currently under established levels for on-call firefighters. £50k of income from a secondment not originally budgeted for adds to this variance. In addition, there is a £53k underspend on USAR training, operational equipment and protective clothing budgets, and the Prevention Team is projecting a £76k underspend due to 3 vacant administrative posts. A £27k overspend on planned preventative maintenance is then offset by minor underspends on various cost elements across the directorate.

Vacant administrative posts and lower than budgeted cross-border charges in Response Support contribute £48k to the £84k favourable variance being seen under Service Development. Additional underspends on Flexi-Duty system payments are also seen here, making up the majority of the remaining variance.

Service Transformation is currently projecting a £230k overspend, of which £121k relates to restructure that took place earlier in the year. Corporate and Forward Planning is currently projecting an overspend of £20k, mainly due to salaries exceeding original budgets, with additional budget needing to be identified for changes in this area. KIS is currently projecting an overspend of £16k comprising of a £35k overspend in ICT budgets which are offset by underspends totalling £18k in the information, main communications and customer services teams.

Statutory Accounting & Contingency £1,076k 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. Contingency funds have also previously been required to cover any costs incurred relating to recent periods of industrial action and those resulting from the response to flooding in parts of Buckinghamshire and Milton Keynes.

2. Revenue Forecasts by subjective heading

Table 2 shows the budget and forecast out-turn for each subjective heading as at the end of June 2014.

Subjective	Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance
Employees - Direct	20,839,073	4,914,813	20,185,633	-653,440
Employees - Indirect	1,123,846	141,611	1,048,838	-75,008
Premises	1,757,555	673,206	1,779,203	21,648
Transport	791,602	275,842	868,332	76,730
Supplies and Services	2,362,159	445,835	2,270,087	-92,072
Contingency & Provisions	1,081,558	0	0	-1,081,558
Third Party Payments	1,005,260	-18,011	999,712	-5,548
Capital Charges	690,000	406,942	690,000	0
Direct Revenue Financing	1,266,000	1,266,000	1,266,000	0
Transfer to/from Reserve	-959,084	0	-978,467	-19,383
Grants, Reimbursements & Contributions	-125,825	-16,709	-89,582	36,243
Customer and Client Receipts	-953,279	-273,117	-937,443	15,836
Interest Received	-70,000	-110,502	-70,000	0
Grand Total	28,808,865	7,705,909	27,032,313	-1,776,552

Employees – There is an underspend of £728k on direct employee related expenditure which includes pay, national insurance and pension costs of staff as well as employment agency costs. This underspend relates to current staffing being below budgeted establishment levels in RDS, whole-time fire fighters and administrative staff across the whole organisation. The favourable variance seen on indirect employees is predominantly due to underspends across training budgets.

Premises – Currently projecting an overspend in contract cleaners currently covering vacant cleaner posts. Additionally, planned preventative maintenance costs are also accounting for an adverse variance here, due to projected costs being higher than budgeted at a number of stations.

Transport – The majority of this overspend relates to a £60k reduction in 2014/15 fleet budgets in line with savings identified in the white fleet review which have not yet been identified. Additionally, mileage forecasts are showing an overspend of £22k which is offset by a £30k underspend projected for diesel costs.

Supplies and Services - The main underspends forming this favourable variance are in the following areas; computer hardware, software and maintenance; provisions in catering; uniforms; printing stationery; and also operational equipment and protective clothing in USAR. Projected underspends on external consultancy in Human Resources and Finance are also contributing to the headline figure seen under this subjective heading. Finally, a £24k overspend in ICT partially offsets the aforementioned underspends and is related to an update of the organisations Wide Area Network, with the overspend itself expected to be managed within the KIS directorate.

Grants, Reimbursements & Contributions – The majority of this overspend relates to a projected under-recovery of food and fuel costs. The under-recovery of fuel costs is due to a reduced demand in fuel and therefore shows a corresponding underspend under the Transport heading above.

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

		Total Budget	Actual Year to Date	Forecast Outturn	Projected Year End Variance
A.	Employee Direct Costs	20,839,073	4,914,813	20,185,633	-653,440
B.	Knowledge & Information Services	1,092,918	342,192	1,109,422	16,504
C.	ICTU Course Fee Income	168,135	42,142	100,000	-68,135
D.	Fuel Charges	366,840	54,788	309,186	-57,654
E.	Energy/Utilities	277,505	39,054	282,721	5,216
F.	Employment Agencies/Consultants	87,799	48,680	124,174	36,375
G.	Control Room project	0	13,912	0	0

Key variance explanations:

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

B. Knowledge & Information Services – ICT is currently projecting an overspend in relation to overtime costs and the installation of the wide area network. There are underspends for part-year vacant posts will counteract much of the overspend.

C. Course Fee Income – Forecast shortfall here due to lower than expected sales at the start of the financial year. This area will continue to be closely monitored throughout the year.

D. Fuel – Despite the current projected underspend on fuel, this area is still considered a risk due to the volatile nature of fuel prices and will continue to be monitored closely throughout the year.

E. Energy/Utilities – Currently projected to finish the year within £6k of budgeted levels.

F. Employment Agencies/Consultants – Consultancy work relating to HR projects and property projects is attributable to the overspend in this area.

G. Control Room project – The actual spend in this area will be covered by the Control Room Grant currently held in reserves, this transaction will not take place until year end. It is expected at this stage that there will be sufficient grant available, hence the net-nil balance projected forecast outturn.

4. 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.

Directorate	Target Saving £000	Forecast Actual Saving £000	Under/ (Over) Recovery £000	Comments
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
Total Savings	1,272	748	524	

5. Capital Forecasts

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	Year End Variance
Property	550,000	0	0	550,000	7,839	18,608	549,872	-128
Property Review	0	940,000	0	940,000	0	0	940,000	0
Sub Total	550,000	940,000	0	1,490,000	7,839	18,608	1,489,872	-128
Operational Vehicles	155,000	913,000	0	1,068,000	113,000	452,000	1,068,000	0
Operational Equipment	264,350	36,494	0	300,844	19,213	3,737	300,844	0
Sub Total	419,350	949,494	0	1,368,844	132,213	455,737	1,368,844	0
Sprinklers	0	14,500	0	14,500	0	0	14,500	0
Sub Total	0	14,500	0	14,500	0	0	14,500	0
ICT	260,000	102,992	24,114	387,106	11,332	124,114	387,106	0
ICT Projects		224,000	0	224,000	182,036	27,715	209,751	-14,249
Support Vehicles	52,900	0	0	52,900	0	0	52,900	0
Staff Cars		27,766	0	27,766	27,771	0	27,771	5
Sub Total	312,900	354,758	24,114	691,772	221,139	151,829	677,528	-14,244
Control Room	0	800,000	0	800,000	0	800,000	800,000	0
Sub Total	0	800,000	0	800,000	0	800,000	800,000	0
TOTAL	1,282,250	3,058,752	24,114	4,365,116	361,191	1,426,174	4,350,744	-14,372

Capital Funding

The capital programme will be funded as follows;

Funding Source	£
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	2,048,817
Total Funding	4,365,116

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 (Chesham, Great Holm and Stokenchurch) with the majority of the remaining stations repair work to be commissioned in the next quarter.

Fire Appliances & Equipment

The Aerial Replacement vehicle contract was awarded last financial year and we are currently in the build stage with the estimated delivery date for the vehicle set for October. The finance and procurement team have been 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 all vehicles before the end of this financial year.

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 which had depleted over the years and the funding will be used to purchase items with sizes suitable for the current workforce.

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 by the control room project budget and a virement has been requested to reflect this. ¹

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 Fleet Manager has been working with procurement to finalise the specification for the vehicles with the aim to send out a request for quotations in July.

¹ 30 appliances have fixed MDT1a units using SEED software. These were installed as part of the FiReControl Project and the SEED software installed by BFRS later. This MDT1a hardware has now become outdated and does not have the capacity to run all the applications that the Panasonic Toughbooks are capable of quickly and efficiently. It has been identified that Motorola have developed an upgraded fixed unit, the MDT2R which could replace the current MDT1a units using existing cabling and docking fitments.

6. Performance Indicators

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

Description	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual (rolling average)
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%	82.4%
% invoices paid within 30 days	97.0%	100.0%	97.4%	98.0%	97.7%	99.8%
Budget Mon. Report turn-around (working days)	44 days	21 days	14 days	7 days	8 days	7 days

Currently, all cost centre managers have received initial basic budget monitoring and refresher training where necessary. The aim for 2014/15 is to streamline training processes, providing refresher training, new e-learning and online guidance sessions that are easily accessible to all budget holders.

The average number of managers accessing the SAP cost centre report across the quarter was 82.4%. This is below the target of 100% and finance will continue to work with all cost centre managers to ensure that this 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 June. This has been consistently high each month across the whole quarter and gives a rolling average of 99.8%, in line with the 2014/15 target.

The quarter 1 budget monitoring report was produced for the senior management board in seven working days by the finance team. This is in line with the target of eight days and with reporting schedule deadlines.

Processes are being streamlined in order to ensure that these deadlines are met while maintaining reporting priorities. This will also free up more time for more detailed analysis and more robust challenging of budgets and monitoring.

7. Debt Management

The table (below) shows the key Debtor performance figures for the three months to June;

DEBTOR KEY PERFORMANCE INDICATORS 2014/15	Q1
Debts over 60 days overdue	£42,779
Total Debt outstanding	£205,968
Debts over 60 days overdue as a % of total debt outstanding	20.9%
Debts over 60 days overdue as a % of total income to date	1.7%
Average time from raising invoices to receipt of income	25

The total debts over 60 days overdue have increased significantly during the first three months of the year. The figure above shows the average figure for the quarter. The figure as at the end of June 2014 was £92,761.

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

- compensation payments due following court enforcement action
- rental of aerial sites
- recovery of costs incurred during strike action

The compensation payments are being repaid in instalments, which the Authority does not have the power to control. The rental of aerial sites is currently in dispute and has been referred to a specialist solicitor. The recovery of costs incurred during strike action are the subject of a query, which is expected to be resolved during quarter two of 2014/15. Apart from these debts, less than £1,000 remains more than 60 days overdue.

Total debt outstanding during the quarter has remained fairly constant. The average time from raising invoices to receipt of income has fallen significantly from last year. This reflects the fact that majority of new debt is collected efficiently, and that there are very few older debts still outstanding.

Moving-forward, Finance staff are now streamlining processes with macro programmed spreadsheets enabling the team to chase debts quicker, saving over 1 ½ hours per week on average chasing debt and freeing up time to be spent on other key areas.

8. Virements

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

Subjective	April 2014 Agreed Plan	Permanent in year virements	Revised base budget	Temporary in year virements	Revised Budget 14/15
Employees - Direct	20,839,073		20,839,073		20,839,073
Employees - Indirect	930,846		930,846		930,846
Premises	1,748,781	8,774	1,757,555		1,757,555
Transport	791,602		791,602		791,602
Supplies and Services	2,362,159		2,362,159		2,362,159
Contingency & Provisions	1,283,332	-8,774	1,274,558		1,274,558
3rd Party Payments	1,005,260		1,005,260		1,005,260
Direct Revenue Financing	1,266,000		1,266,000		1,266,000
Capital Charges	690,000		690,000		690,000
Transfer to/from Reserve	-959,084		-959,084		-959,084
Grants, Reimbursements & Contributions	-125,825		-125,825		-125,825
Customer and Client Receipts	-953,279		-953,279		-953,279
Interest Received	-70,000		-70,000		-70,000
Grand Total	28,808,865	0	28,808,865	0	28,808,865

Temporary in-year virements authorised and actioned:

There are currently no temporary in-year virements.

Permanent virements authorised and actioned:

Narrative	From (credit)	To (debit)
Realignment of 2014/15 Business Rates Budgets £8,744 – figures not known at time of setting budgets.	Contingency	Premises

Revenue virements requiring authorisation;

A.

From/To	Cr/Dr	Subjective		Approval Needed	
		Direct Revenue Financing	Supplies & Services	SMB	Executive
Control Room Project	CR		-24,114	Y	Y
Direct Revenue Financing	DR	24,114			
<i>Temporary movement from Control Room Project to Direct Revenue Financing (MDT Capital project)</i>					

B.

From/To	Cr/Dr	Subjective		Approval Needed	
		Employees - Direct	Contingency	SMB	Executive
Various station budgets	CR	-110,005		Y	Y
Contingency	CR		-6,890		
Response Support	DR	116,895			
<i>Realignment and centralisation of FDS budgets</i>					

A. Temporary movement of budget from the control room project revenue budget to increase the revenue contribution to capital to fund the increased cost of the MDT project in the ICT capital programme,

B. To permanently re-align the FDS revenue budgets.