

Report of the Treasurer

Budget Monitoring 2019/20 – Quarter 1

Purpose of report

1. To inform Members of the current position on budgets and expenditure for 2019/20.
-

Recommendation

The Treasurer recommends that the Committee:

- (i) approve the transfer of £0.250m capital financing underspend to Prevention and Protection initiatives to be confirmed by the Chief Fire Officer;***
- (ii) approve the transfer of £0.250m capital financing underspend to support the Fire Station replacement programme; and***
- (iii) note the potential transfer to the pay award reserve and the continuing budget risk regarding the pay award.***

Introduction and Background

2. This report relates to the Authority's financial position at Quarter 1, and is an out-turn projection actually based on known information in the period up to August 2019.
3. Separate financial reports are included to detail the position for both revenue and capital for this period.
4. Details are included about the Authority's Treasury Management position for the period.

Revenue Budget

5. In February 2019 the Authority set a core budget for 2019/20 of £34.853m, (*Appendix 1a Column 2, Line 38*) provisionally allocated to budget heads. This was funded by £34.054m of Precept, Grants and Business Rates (*Appendix 1a Column 2, Line 48*) and £0.799m use of reserves (*Appendix 1a Column 2, Line 53*).
6. In June 2019 the Authority was advised that the actual employer contribution rates were higher than the estimates originally indicated by the Home Office and that an additional cost of £0.300m would be incurred, partially funded by £0.225m additional one-off grant.

7. The Budget Out-turn report advised that there was slippage in the building revenue budget which it had been planned to fund from the Property Reserve. These costs will now be incurred in 2019/20 requiring an adjustment to the use of reserves of £0.072m. This is a timing issue as the reserve money was originally budgeted to be used in 2018/19 but was delayed and is drawn down in 2019/20 instead.
8. These two additions bring the Revised Core Budget to £35.225m (*Appendix 1a Column 7, Line 38*) provisionally allocated to budget heads, funded by £34.279m of Precept, grants and Business Rates (*Appendix 1a Column 7, Line 48*) and £0.946m use of reserves (*Appendix 1a Column 7, Line 53*).
9. A number of other budget reallocations within budget heads are also shown in the Appendix including:
 - Release of the pay award provision.
 - Allocation of inflation provision and other SMB re-alignment.
 - Grossing up of capitalised PPL costs to make monitoring clearer.
 - Conversion of budget income from service charges at Kings Court, to reduced costs as the tenant is meeting these costs directly. *It was originally expected that the Fire Authority would incur costs and charge to the tenant so there was budget provision for costs and income. Now they are paying direct, both the cost and income budgets can be removed.*
10. Appendix 1b shows the out-turn projection and at this early stage only two items are apparent:
 - £0.500m underspending on capital financing charges (*Column 4, Line 31*). This one-off variation arises from continued delays to the major building programme (specifically Hereford and Redditch Fire stations), and could be used to finance revenue or capital expenditure. It is proposed to use half of this to help fund the Broadway schemes and half to invest in Prevention and Protection activities in support of the Authority's stated desire.
 - £0.285m provision for the back-dating of the still unresolved July 2017 Grey Book pay award. It may be necessary to transfer this to the reserve if the issue is still not resolved at year end.

Capital Budgets

11. The current capital budget, approved by the Authority in February 2019, with amendments in June 2019 is summarised below.

	Major Buildings £m	Vehicles £m	Major Equip £m	Minor Schemes £m	TOTAL £m
Approved Programme <i>Fire Authority: Feb 2019</i>	25.664	12.551	3.191	5.816	47.222
Approved Amendments <i>Fire Authority: Jun 2019</i>	0.332	0.075		(0.150)	0.257

Less :Closed Schemes	(0.158)	(1.564)	(0.564)	(1.328)	(3.614)
<i>Fire Authority: Jun 2019</i>					
Rounding variation	(0.001)			0.001	0.000
Less: Post 2019/20 Starts		(4.526)		(1.800)	(6.326)
Budget Carried Forward	25.837	6.536	2.627	2.539	37.539
Expenditure to end of 2018/19	(8.915)	(2.536)	(2.046)	(0.873)	(14.370)
Remaining Budget	16.922	4.000	0.581	1.666	23.169

12. The approved capital budget is divided into 4 blocks:

- Major Buildings
- Vehicles
- Other Schemes (Fire Control & Mobile Data Terminals)
- Minor Schemes (allocated by Senior Management Board)

13. The Other Building Schemes figure (*Appendix 2a, Column 2, Line 6*) is provision for Hereford, Redditch and Broadway Fire Stations and the North Herefordshire Strategic Training Facility, which await tender or formal approval. These schemes are not disclosed separately to protect the Authority's procurement interests. It is expected that, once approved, expenditure will occur over a number of future years.

14. Of the unspent capital budget of £23.169m (*Appendix 2a, Column 4, Line 28*), £12.491m (*Appendix 2a, Column 4, Lines 6 & 26*), still requires approval leaving £10.678m against which expenditure can be incurred.

15. At the end of Quarter 1 against this £10.678m budget, £3.170m (30%) (*Appendix 2a, Column 5, Line 28*) has been committed by way of expenditure and orders.

Treasury Management

16. Since October 2008, the Authority has adopted a policy of avoiding new long term borrowing, where working capital balances permit. The Authority will only extend long term borrowing when cash-flow requirements dictate that it is necessary, and only to finance long term assets.

17. At the beginning of the financial year (2019/20), borrowing was at a level of £10.637m,. This will remain the same at the end of the financial year, as there are no planned repayments to the Public Works Loans Board during the financial year.

18. It is not necessary at this time to take out new external borrowing but it will be necessary in the medium term and appropriate provision is already made within the MTFP.

19. In accordance with the Authority's Treasury Management Strategy, surplus funds are invested by Worcestershire County Council alongside their own funds. Investment is carried out in accordance with the WCC Treasury Management Strategy, which has been developed in accordance with the Prudential Code for Capital Finance and is used to manage risks from financial instruments.

20. Given the uncertainty in financial markets, the Treasurer continues to advise that investment should be focussed on security. As a consequence, surplus funds continue to generate low returns which are factored into the budget.
21. At 30 June 2019 short term investment via Worcestershire County Council comprised:

Organisation Type Invested in	£m
Other Local Authorities	0.743
Debt Management Account Deposit Facility	0.138
Money Market Funds (Instant Access)	1.103
Cash Plus (Liquidity Fund)	1.299
Call	0.617
Total	3.900

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Whole Report
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	None
Consultation (identify any public or other consultation that has been carried out on this matter)	None
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	None – N/A

Supporting Information

Appendix 1a – 2019/20 Revenue Budget
 Appendix 1b – 2019/20 Revenue Budget Monitoring
 Appendix 2a – 2019/20 Capital Budget Monitoring
 Appendix 2b – 2019/20 Capital Budget Monitoring (Minor Schemes)

Contact Officer

Martin Reohorn, Treasurer to the Authority
 (01905 368205)
 Email: mreohorn@hwfire.org.uk