

## **Report of the Treasurer**

### **Budget Monitoring 2020/21 – Quarter 2**

#### **Purpose of report**

1. To inform Members of the current position on budgets and expenditure for 2020/21.
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#### ***Recommendation***

##### ***The Treasurer recommends that the Committee:***

- (i) Confirms the proposed budget reallocations summarised in paragraph 7 (detailed in Appendix 1 Column 5); and***
- (ii) Notes that the forecast revenue out-turn would result in an in-year transfer to the Budget Reduction Reserve of £0.9m.***

#### **Introduction and Background**

2. This report follows the familiar format and is an out-turn projection nominally based on second quarter information but incorporating latest information up to October 2020.
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, and the latest available month end position on investments.

#### **Revenue Budget**

5. In February 2020 the Fire Authority set a Core Revenue Budget of £35.827m (*Appendix 1 Column 2/Row 38*), which was funded by Precept, Business Rates and Grants of £35.597m (*Column 2/Row 53*) and use of the Budget Reduction Reserve of £0.430m (*Column 2/Row 55*).
6. At that meeting of the Authority, the Treasurer advised of late receipt of Business rate information from some of the Billing Authorities and the Authority agreed to use this gain to create a Sustainability Reserve. In addition, the last meeting of this Committee noted adjustments as outlined in Column 3 of Appendix to bring the Revenue Budget to £36.049 (*Column 4/Row 38*) with funding increased to £35.707m (*Column 4/Row 53*).
7. In the period since the Quarter 2 Report there have been a number of further re-allocations (*Appendix 1 Column 5*) to support core business activity and address the short-term to the impacts of Covid. In particular:

- redirection of one-off training savings,
- redirection of savings arising from the re-phased Vehicle Capital Programme approved by the last meeting of this Committee,
- Investment in additional staffing to support in support of information analysis and HR,
- recognition of additional Covid costs.

This brings the Revenue Budget to £36.121m (*Column 6/Row 38*).

8. Appendix 1 sets out the forecast variations against this revised budget, and the variations shown in *Column 8*. A number of the variations were already reported at Quarter 1 and the table below illustrates the changes to Quarter 2:

			Qtr. 1 £	change £	Qtr. 2 £
WT Fire fighter Pay		McCloud/Sargeant	(400,000)		(400,000)
	a	DCP Protected Pay		150,000	150,000
Pension Costs		Ill Health Charges	40,000		40,000
Running Cost		COVID		160,000	160,000
		Unallocated Budgets		(36,600)	(36,600)
2017 Pay Award Provision			(285,000)		(285,000)
Covid Grant			(690,234)		(690,234)
MORSE Grant (PCC)			(47,000)		(47,000)
Additional Special Grants	b			(229,675)	(229,675)
Other net Grant variation			(22,635)		(22,635)
2020 Potential Pay Award	c		180,000	(180,000)	0
			<b>(1,224,869)</b>	<b>(136,275)</b>	<b>(1,361,144)</b>
Pay Award Reserve	c	change in transfer	(180,000)	180,000	0
DCP Pay Prot. Reserve	a	change in transfer		(150,000)	(150,000)
Special Grant Reserve	b			229,675	229,675
Bud. Red. Reserve		change in transfer	1,404,869	(123,400)	1,281,469
			<b>0</b>	<b>0</b>	<b>0</b>
Budget Reduction Reserve		Planned Transfer	(430,000)	10,000	(420,000)
		Change in transfer	1,404,869	(123,400)	1,281,469
		Actual Transfer	974,869	(113,400)	861,469

9. The additional variations are outlined below

- Note a: +£0.150m. Wholetime pay – when the Day Crewing Plus (DCP) shift system was ended staff who had previously been working the system have had pay protection for 6 months. This cost will be met by the DCP Pay Protection Reserve,
- Note b: -£0.230m. Additional one off grants paid by government in respect of specific costs to be incurred in future. This grant has to be certified by the Treasurer as and when spent. As timing of this is currently uncertain it is currently shown as being wholly transferred to reserves although actual spend will be updated as it occurs.

- Note c: -£0.180m. At Quarter 1 there was concern that the July pay award would exceed the 2% provided in the budget and provision for a higher award was made. Fortunately the award was made at 2% and the expenditure pressure and consequential use of reserve are no longer required.
  - None of the above has a direct impact on the use of the Budget Reduction Reserve.
  - +£0.160m: current estimates of the additional spend on Covid-19 measures (assuming no further deterioration in the position) which is partially offset by a small amount of unallocated budgets.
10. The net result of these changes is transfer to the Budget Reduction of £.861m (*Column 7/Row 60*) which is a variance of £1.281m against the budget figure (*Column 8/Row 60*) Whilst this is a significant figure, 41% relates to net government grant for future costs and a further 31% to government changed timing of pension costs.
11. As previously reported, however, this financial windfall must be considered in the context of the future MTFP, and the potential funding losses outlined to this Committee and the Full Authority.

## Capital Budgets

12. The current capital budget is summarised below.

	Major Building Schemes £m	Vehicles £m	Major Equip- ment £m	Allocated Minor Schemes £m	Other £m	TOTAL £m
Allocated Schemes	7.623	2.653	0.590	2.674		<b>13.540</b>
Major Building Provision					12.041	<b>12.041</b>
Unallocated Minor Schemes					0.147	<b>0.147</b>
<b>REVISED BUDGET</b>	<b>7.623</b>	<b>2.653</b>	<b>0.590</b>	<b>2.674</b>	<b>12.188</b>	<b>25.728</b>
<i>P&amp;R Committee: Sep 2020</i>						
Allocations				0.027	(0.027)	<b>0.000</b>
Additional Approval					1.200	<b>1.200</b>
	<b>7.623</b>	<b>2.653</b>	<b>0.590</b>	<b>2.701</b>	<b>13.361</b>	<b>26.928</b>
Allocated Schemes	7.623	2.653	0.590	2.701		<b>13.567</b>
Major Building Provision					13.241	<b>13.241</b>
Unallocated Minor Schemes					0.120	<b>0.120</b>
<b>REVISED BUDGET</b>	<b>7.623</b>	<b>2.653</b>	<b>0.590</b>	<b>2.701</b>	<b>13.361</b>	<b>26.928</b>
<i>P&amp;R Committee: Dec 2020</i>						
Expenditure to 2019/20	(7.008)		(0.290)	(0.952)		<b>(8.250)</b>
<b>Budget Available 2020/21</b>	<b>0.615</b>	<b>2.653</b>	<b>0.300</b>	<b>1.749</b>	<b>13.361</b>	<b>18.678</b>

13. 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)
14. The “Future Building Schemes” figure in Appendix 2 (*Column 3/Row 5*) 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.
15. Allowing for the schemes awaiting approval and previous expenditure ongoing schemes the position shown in detail in Appendix 2 is summarised below:
- |                          |                            | <b>£m</b>     |
|--------------------------|----------------------------|---------------|
| Total Approved Budget    | <i>Column 3/Row 64</i>     | 26.928        |
| Less: Awaiting Approval  | <i>Column 3/Rows 66-67</i> | (13.361)      |
| <b>Approved to Spend</b> |                            | <b>13.540</b> |
| Incurred to 2019/20      | <i>Column 4/Row 68</i>     | (8.250)       |
| <b>Balance</b>           |                            | <b>5.317</b>  |
| Incurred 2020/21 to date | <i>Column 6/ Row 68</i>    | (0.815)       |
|                          |                            | <b>4.502</b>  |
16. It can be seen that against the £5.3m available, only £0.4m (15%) has been incurred. This represents significant slippage and will have continuing implications for capital financing costs.

### **Treasury Management**

17. 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.
18. At the beginning of the financial year (2020/21), borrowing was at a level of £13.637m of which £1.500m is repayable in Feb 2021 as planned.
19. It was anticipated that borrowing might be undertaken this year to fund the approved capital programme (and for which provision is made in the MTFP for the revenue costs). Up to now it has been possible to avoid new long term borrowing, by the temporary use of cash balances, arising from the earmarked revenue reserves and the timing of cash receipts from the disposal of the old fire station at Bromsgrove and the old HQ building.
20. With the sale of the old HQ completing in early 2020/21 and the slow down in capital expenditure referred to above, this borrowing requirement may be deferred.
21. All existing borrowing and potentially all future borrowing is with the Public Works Loans Board, as it remains the only practical alternative to the Fire Authority.

22. 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.
23. The Treasurer continues to advise that investment should be focused on security. As a consequence, surplus funds continue to generate low returns which are factored into the budget.
24. At 31-Oct-2020 short term investment via Worcestershire County Council comprised:

Organisation Type Invested in	£m
Other Local Authorities	0.000
Debt Management Account Deposit Facility	1.905
Money Market Funds (Instant Access)	7.101
Cash Plus (Liquidity Fund)	2.485
Call	2.509
<b>Total</b>	<b>14.000</b>

### Corporate Considerations

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

### Supporting Information

Appendix 1 – 2020/21 Revenue Budget  
Appendix 2 – 2020/21 Capital Budget