

Report of the Treasurer

2017/18 Budget Monitoring – 3rd Quarter

Purpose of report

1. To inform the Committee of the current position on budgets and expenditure for 2017/18.

Recommendation

The Treasurer recommends that the Committee note the forecast balanced revenue out-turn.

Introduction and Background

2. This report relates to the Authority's financial position for the period April – December 2017 (Quarter 3 – 2017/18) updated to the end of February 2018, and an outturn projection based on that position.
3. Separate financial reports are included to detail the position for both Revenue and Capital for this period.
4. Details are also included about the Authority's Treasury Management position for the period.

Revenue

5. In February 2017 the Authority set a net revenue budget for 2017/18 of £31.687m, allocated to budget heads.
6. This was subsequently amended to reflect changes in demand, proposed use of earmarked reserves, additional budget holder savings and the new ICT strategy, as set out in Appendix 1.
7. The budget has also been revised to reflect the reduced cost of excess staff, the consequential creation of an enhanced property reserve and revised transfers to balances in line with the recently revised Medium Term Financial Plan (MTFP).
8. In addition the budget has been amended to include costs of the service and maintenance of New Dimension vehicles, previously originally funded directly by Government and now chargeable to the Fire Authority, but funded by an equivalent additional grant payment.
9. Appendix 1 (which has been expanded to include information on funding) gives details of the projected year end expenditure. At the end of Quarter 3 (31st December 2017) the main variations relate to:

- Minor variations in pay (Line 7). +£0.050m
- Increased Section 31 Grant in respect of government capping of the annual increase in the Business Rate multiplier and its impact on yield.

Capital

10. The current capital budget was approved by the Authority in February 2018 and is detailed in Appendices 2 and 3. It is in two parts:

- | | |
|--|-----------------|
| • Capital Budget (approved schemes) | £23.353m |
| • Of which spent prior to 1 st April 2017 | <u>£15.288m</u> |
| • Leaving still to spend | £ 8.065m |
| • Schemes awaiting Tender or formal approval | £17.960m |

11. The approved Capital budget is divided into 4 blocks:

- Major Buildings
- Vehicles
- Fire Control
- Minor Schemes (allocated by Senior Management Board)

12. The Schemes waiting tender or formal approval include the Wyre Forest Hub, Hereford and Redditch Fire Stations, North Herefordshire Strategic Training Facility, and HQ relocation. It is expected that, once approved, expenditure will occur over a number of future years.

13. Of the Capital budget of £8.065m, £4.803m (60%) has been committed by way of expenditure and orders.

14. The Evesham scheme continues to show an apparent overspend, but this awaits adjustment for the final agreement with Wychavon over costs, and will be amended in future reports.

Treasury Management

15. 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.

16. At the beginning of the financial year (2017/18), borrowing was at a level of £12.637m, this was reduced by £1.0m in August 2017 and by a further £0.500m in February 2018 to £11.137m following planned repayments to the Public Works Loans Board.

17. 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.

18. 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.
19. At 31st December 2017 short term investment via Worcestershire County Council comprised:

Organisation Type Invested in	£'000
Other Local Authorities	3,127
Money Markey Funds (Instant Access)	4,152
Cash Plus (Liquidity Fund)	4,378
Call	1,243
Total	12,900

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	See paragraphs 5-14 and 19
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 1 – 2017/18 Revenue Budget Monitoring

Appendix 2 – 2017/18 Capital Budget Monitoring

Appendix 3 – 2017/18 Capital Budget Monitoring (Minor Schemes)

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