

## Report of the Treasurer

### Budget Monitoring 2018/19 – Quarter 2

#### Purpose of report

1. To inform the Committee of the current position on budgets and expenditure for 2018/19.

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#### Recommendation

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

- (i) the forecast revenue overspend of £0.013m; and***
- (ii) the continuing budget risk regarding the pay award.***

#### Introduction and Background

2. This report relates to the Authority's financial position at Quarter 2, and is an out-turn projection based on the period April – September 2018 and known information.
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

5. In February 2018 the Authority set a core budget for 2018/19 of £31.236m, allocated to budget heads.
6. In May 2018 the Authority considered a revised Medium Term Financial Plan (MTFP) which included a re-phasing of the savings from the HQ relocation. This increased costs by £0.173m largely offset by additional business rate income.
7. This was subsequently amended to reflect changes in demand, planned use of earmarked reserves, additional budget holder savings and the allocation of the known pay awards. This resulted in a revised budget at Quarter 1 of £33.078m (*Appendix 1, Column 2, Row 36*).
8. Three further variations to the budget are now proposed:
  - Correction of error to previous allocation of budget in respect of
    - adjust ICT Strategy from non-pay to pay as intended
    - correct revenue funded Cutting Gear to capital financing

- Realignment of budgets for Day Crew Disturbance / out-turn payments to match expenditure
  - Release of reserve funding in accordance with the approved strategy, including Cutting Gear and Mobile Data Terminals (MDT).
9. These variations bring the core budget to £32.949m (*Appendix 1, Column 6, Row 36*)
10. Appendix 1 gives details of the projected year end expenditure of £32.962m. At the end of Quarter 2 (30 September 2018) the projected annual variations relate to:
- Whole time pay savings from Watch Commander vacancies offset by temporary promotions to support 2020 Vision projects.
  - +£0.179 uniformed overtime – arising from change of officer rota mid-way through year
  - -£0.149m retained pay under spending – continuing prior year trends. SMB are currently looking at ways to utilise this to improve retained recruitment and retention and consequently availability.
  - -£0.017m net in non-pay budgets.
  - Although provision is made for pay awards at 2%, Members are reminded that the July 2017 uniformed staff award (Grey Book) has not been settled yet and an offer of 2% was rejected by the employee side. Any costs above 2% in either year represent a potential overspend.

## Capital

11. The current capital budget was approved by the Authority in February 2018, with amendments in May 2018 summarised below. Replacement of Mobile Data Terminals (MDT), funded from reserves in accordance with the Strategy, is now added as orders are to be placed shortly:

	Major Buildings £m	Vehicles £m	Fire Control £m	Major Equip £m	Minor Schemes £m	TOTAL £m
<b>Revised Budget : Sep 2018</b>	<b>24.664</b>	<b>5.308</b>	<b>2.287</b>	<b>0.564</b>	<b>3.416</b>	<b>36.239</b>
plus: MDTs (Reserve)				0.340		<b>0.340</b>
<b>Amended Budget : Sep 2018</b>	<b>24.664</b>	<b>5.308</b>	<b>2.287</b>	<b>0.904</b>	<b>3.416</b>	<b>36.579</b>
less expenditure to 2017/18	(5.456)	(0.571)	(2.026)		(1.142)	<b>(9.195)</b>
<b>Remaining Budget</b>	<b>19.208</b>	<b>4.737</b>	<b>0.261</b>	<b>0.904</b>	<b>2.274</b>	<b>27.384</b>

12. The approved capital budget is divided into 4 blocks:
- Major Buildings
  - Vehicles
  - Other Schemes (Fire Control & Cutting Gear)
  - Minor Schemes (allocated by Senior Management Board)
13. The Other Building Schemes figure (*Appendix 2a, Row 7*) is provision for the Wyre Forest Hub, Hereford and Redditch Fire Stations and the North Herefordshire Strategic Training Facility, which await tender or formal approval. It is expected that, once approved, expenditure will occur over a number of future years.
14. Of the capital budget of £27.384m (*Appendix 2a, Column 6, Row 29*), £17.442m (*Row 7*) still requires approval leaving £9.942m against which expenditure can be incurred.
15. At the end of Quarter 2, £6.203m (*Appendix 2a, Column 7, Row 29*) has been committed by way of expenditure and order, representing 62% of the available resources.

### **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 (2018/19), borrowing was at a level of £11.137m, this will be reduced to £10.637m by the end of the year, following planned repayments to the Public Works Loans Board.
18. It is not necessary 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 September 2018 short term investment via Worcestershire County Council comprised:

Organisation Type Invested in	£m
Other Local Authorities	1.310
Money Market Funds (Instant Access)	4.288
Cash Plus (Liquidity Fund)	2.612
Call	4.190
<b>Total</b>	<b>12.400</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 – 2018/19 Revenue Budget Monitoring

Appendix 2a – 2018/19 Capital Budget Monitoring

Appendix 2b – 2018/19 Capital Budget Monitoring (Minor Schemes)

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