

## Report of the Treasurer

### Budget Monitoring 2019/20 – Quarter 2

#### Purpose of report

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

#### ***Recommendation***

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

- (i) The position in relation to back-dated injury pensions; and***
- (ii) the potential transfer to the pay award reserve and the continuing budget risk regarding the pay award.***

#### Introduction and Background

2. Following the cancellation of the Policy & Resources (P&R) Committee meeting of 20 November, this is the first opportunity to report on the Authority's financial position since Quarter 1.
3. This report follows the format used for the Committee reports and is an out-turn projection actually based on known information in the period up to September 2019, although the Treasury Management position is more up to date at 31 October.
4. Separate financial reports are included to detail the position for both revenue and capital for this period.
5. Details are included about the Authority's Treasury Management position for the period.

#### Revenue Budget

6. In June 2019 the Authority set a revised core budget for 2019/20 of £35.225m, (*Appendix 1 Column 2, Line 38* allocated to budget heads. This was funded by £34.279m of Precept, grants and Business Rates (*Appendix 1 Column 2, Line 48*) and £0.946m use of reserves (*Appendix 1 Column 2, Line 53*).
7. At the September meeting of the P&R Committee a number of budget reallocations within budget heads were approved and incorporated within these totals.
8. Appendix 1 also shows the out-turn projection of the two items reported to the P&R Committee:
  - a. £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 was approved that half of this be used to help

fund the Broadway schemes and the balance invested in Prevention and Protection activities in support of the Authority's stated desire.

- b. £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. The Authority will need to take a view on whether to maintain this provision into the future until the pay negotiations are finally concluded.

9. In addition there is one further variation to consider.

a. £0.130m relating to back-dated injury pensions:

- i. Where a pensioner is in receipt of an injury pension and is also in receipt of certain state benefits, the Fire Authority is required to reduce the pension by the value of the benefit.
  - ii. There is an obligation on the individual pensioner to notify the Authority of any changes to these state benefits so that the pension can be adjusted accordingly.
  - iii. Work by our new pension administrator has identified that a number of individuals had failed to notify us of changes to these state benefits, resulting in a number of under and over payments.
  - iv. In a number of cases the pensioner had failed to notify the Authority of reductions in these state benefits with the consequence that pensions paid have actually been too low and need to be corrected. The annual impact is not material but the cases go back over a number of years hence the significant one-off cost.
- b. It should also be noted that there are cases where a small number of pensioners have failed to notify the Authority of increases in state benefits and as a result pension has been overpaid. Action is being taken to recover these over payments, but as this will take longer this income is not yet included on the forecast, but it will offset the additional payments already made.
- c. This net overall cost can be met from the pension provision if necessary, and our pension administrator has implemented procedures to ensure that pensioners are reminded annually to declare any changes to relevant state benefits.

## **Capital Budgets**

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

	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	<b>47.222</b>
Approved Amendments <i>Fire Authority: Jun 2019</i>	0.332	0.075		(0.150)	<b>0.257</b>
Less :Closed Schemes <i>Fire Authority: Jun 2019</i>	(0.158)	(1.564)	(0.564)	(1.328)	<b>(3.614)</b>
Rounding variation	(0.001)			0.001	<b>0.000</b>
Less: Post 2019/20 Starts		(4.526)		(1.800)	<b>(6.326)</b>
<b>Budget Carried Forward</b>	<b>25.837</b>	<b>6.536</b>	<b>2.627</b>	<b>2.539</b>	<b>37.539</b>
Expenditure to end of 2018/19	(8.915)	(2.536)	(2.046)	(0.873)	<b>(14.370)</b>
<b>Remaining Budget</b>	<b>16.922</b>	<b>4.000</b>	<b>0.581</b>	<b>1.666</b>	<b>23.169</b>

11. 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)

12. 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.

13. 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.

14. At the end of Quarter 1 against this £10.678m budget, £4.942m (46%) (*Appendix 2a, Column 5, Line 28*) has been committed by way of expenditure and orders.

## 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 (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.

17. Whilst it has been possible to avoid new long term borrowing, by the temporary use of cash balances, the continuing investment in the capital programme and the planned use of the revenue reserves means that it may be necessary to undertake

some new long term borrowing. The timing of this will be dependent on the timing of cash receipts from the disposal of the old fire station at Bromsgrove and the old HQ building.

18. 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.
19. 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.
20. At 31 October 2019 short term investment via Worcestershire County Council comprised:

Organisation Type Invested in	£m
Other Local Authorities	1.193
Money Market Funds (Instant Access)	1.672
Cash Plus (Liquidity Fund)	1.130
Call	0.155
<b>Total</b>	<b>4.150</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 – 2019/20 Revenue Budget Monitoring

Appendix 2a – 2019/20 Capital Budget Monitoring

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