

Report of the Treasurer

2017/18 Budget Monitoring – 2nd 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:

- (i) the forecast revenue underspend of £0.278m (-0.9%).***
- (ii) the in budget risk regarding the uniform staff pay award £0.195m (+0.6%)***

Introduction and Background

2. This report relates to the Authority's financial position for the period April – September 2017 (Quarter 2 – 2017/18), 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 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.
7. Appendix 1 gives details of the projected year end expenditure. At the end of quarter 1 (30th June 2017) the main variations relate to:
 - a. Minor variations in pay (Line 7). +£0.053m
 - b. Capital Financing (Line 29): - £0.200m – short term savings arising from delays to the expenditure on major buildings projects compared to the assumptions made in the budget and MTFP, but which will resolve in the medium term.

- c. The PPL charge is split between revenue and capital elements. As a result of delays to capital schemes it is not possible to capitalise as much of the PPL charge as was anticipated, resulting in an increased revenue cost. This issue has occurred previously when property services were provided in-house, and the overall costs from PPL are unchanged.
 - d. Inflation provision savings (Line 32) - £0.171m. Provision is made for general inflation but only allocated to budget holders on an evidenced basis. The whole provision is not now required.
8. The latter will have an impact on future budgets and will be included in the next revision to the Medium Term Financial Plan (MTFP).
 9. Members attention is also drawn to the uniform staff pay award offer at 2% from July 2017 (with a further 3% from April 2018 if funded by government). Although this offer has been rejected by the employee side the additional 2017/18 cost of the 2% award could be £0.195m, which would offset the under-spending identified above in year.

Capital

10. The current capital budget was approved by the Authority in June 2016 and is detailed in Appendix 2. It is in two parts:

• Capital Budget (approved schemes)	£22.004m
• Of which spent prior to 1 st April 2017	<u>£15.273m</u>
• Leaving Still to spend	£ 6.731m
• Schemes awaiting Tender or formal approval	£18.042m
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 includes Wyre Forest Hub, for Hereford and Redditch Fire Stations the North Herefordshire Strategic Training Facility, and the Hindlip move. It is expected that, once approved, expenditure will occur over a number of future years.
13. Of the Capital budget of £6.731m, only £1.161m (17%) has been committed by way of expenditure and orders. Significant orders for vehicles are about to be placed.
14. The Evesham scheme is showing an apparent overspend, but this awaits adjustment for the final agreement with Wychavon over costs, and will be amended in future reports.

15. A budget is now included within the Major Building Section of the Capital Appendix for the purchase of the land for the Wyre Forest Hub.

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 (2017/18), borrowing was at a level of £12.637m; this was reduced by £1.0m in August 2017, and will be reduced by a further £0.500m in February 2018 to £11.137m following planned repayments to the Public Works Loans Board.
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 30th September 2017 short term investment via Worcestershire County Council comprised:

Organisation Type Invested in	£'000
Other Local Authorities	2,578
Money Markey Funds (Instant Access)	4,941
Cash Plus (Liquidity Fund)	1,194
Call	6,187
Total	14,900

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	See paragraphs 4-14 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

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