

Report of the Treasurer

Budget Monitoring 2018/19 – Quarter 4

Purpose of report

1. To inform the Committee of the current position on budgets and expenditure for 2018/19, and an update on the 2019/20 budget.

Recommendation

The Treasurer recommends that the Committee notes the forecast revenue underspend of £0.129m (0.4%), and earmarks £0.075m of this to fund additional pension costs in 2019/20.

Introduction and Background

2. This report relates to the Authority's financial position at Quarter 4, and is based on known information at 29 March 2019. The accounts closure process is underway and the final out-turn may vary the estimated position shown in this report. A final out-turn report will be brought to the June meeting of the Fire Authority.
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 was further amended by decisions to create a reserve to fund the replacement of Broadway Fire Station, and to use other reserves to fund capital investment in accordance with the approved reserves strategy.
8. The resultant revised budget at Quarter 3 was £32.949m (*Appendix 1, Column 4, Row 36*).
9. Three final variations to the budget are now made:

- Adjustment of the net cost of Firelink costs;
 - Reversal of previous New Dimensions maintenance costs and grant (Long Term Capability Maintenance - LTCM) as Home Office has reverted to previous arrangement.
 - Reversal of the Quarter 2 adjustment in respect of realignment of Day Crew Turnout and Disturbance payments
10. These variations bring the core budget to £32.980m (*Appendix 1, Column 6, Row 36*)
11. Appendix 1 gives details of the projected year end expenditure of £32.566m, (*Column 7, Row 36*). This is a gross underspend of £0.414m.
12. Of this, £0.285m relates to provision for the costs of the unsettled July 2017 pay award which will be transferred to the existing reserve pending final resolution.
13. Key reasons for the remaining variation have previously been reported but are:
- Whole time pay variations:
 - +£0.156m overtime – largely arising from change of officer rota mid-way through year;
 - -£0.033m savings from Watch Commander vacancies (offset by temporary promotions to support 2020 Vision projects) and resilience register; and
 - +£0.046m (0.4%) net other variations.
 - -£0.174m Retained pay under spending – continuing prior year trends. SMB are currently discussing ways to utilise this core underspend in future years to improve retained recruitment and retention and consequently availability.
14. This leaves a net variation of £0.129m as set out *in Column 8, Rows 8 to 27 & 34* and amounts to 1.5% of the relevant budgets.

2019/20 Budget

15. Members will be aware of the significant budgetary impact of the recent uplift in employer contribution rates for the Firefighters' Pension Scheme. This was estimated based on average rate date provided by the Home Office.
16. In late February the individual scheme rates were issued with the consequence of an additional £0.300m cost in 2019/20, bringing the gross impact to £1.700m. The quantum of this additional cost is common across the sector.
17. As a consequence the Home Office have secured additional Treasury funding, for 2019/20 only, which brings the net additional cost down to £0.075m.
18. It is proposed that this sum is reserved from the 2018/19 underspend identified at paragraph 14 above.

19. The impact on future years will be incorporated in the next review of the Medium Term Financial Plan.

Capital

20. The current capital budget was approved by the Authority in February 2018, and revised in February 2019. The current budget can be summarised below:

	Major Buildings £m	Vehicles £m	Major Equip £m	Minor Schemes £m	TOTAL £m
Amended Budget : Sep 2018	24.664	5.308	3.191	3.416	36.579
OPE Funded Hereford Design	0.085				0.085
Re-opened Schemes				0.173	0.173
Fire Authority: Feb 2019	1.000	(0.295)			0.705
Re-allocation between schemes	0.247			(0.247)	0.000
Amended Budget : Sep 2018	25.996	5.013	3.191	3.342	37.542
less expenditure to 2017/18	(5.472)	(0.640)	(2.026)	(1.294)	(9.432)
less expd to date 2018/19	(2.381)	(3.925)	(0.956)	(0.711)	(7.973)
Remaining Budget	18.143	0.448	0.209	1.337	20.137

21. The Other Building Schemes figure (*Appendix 2a, Row 10*) is provision for Hereford, Redditch and Broadway 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.
22. Of the remaining capital budget of £25.401m (*Appendix 2a, Column 5, Row 34*), £8.015m (*Appendix 2a, Column 7, Row 34*) remains to be incurred. The bulk of this (69%) relates to the Wyre Forest Hub project, which is progressing well.

Treasury Management

23. 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.
24. 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.
25. 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.
26. 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.

27. 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.
28. At 31 January 2019 short term investment via Worcestershire County Council comprised:

Organisation Type Invested in	£m
Money Market Funds (Instant Access)	2.854
Cash Plus (Liquidity Fund)	1.469
Call	2.577
Total	6.900

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Whole Report
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 – 2018/19 Revenue Budget Monitoring

Appendix 2a – 2018/19 Capital Budget Monitoring

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

Contact Officer

Martin Reohorn, Treasurer to the Authority

(01905 368205)

Email: mreohorn@hwfire.org.uk