

Report of the Treasurer

5. 2014/15 Budget Monitoring – 1st Quarter

Purpose of report

1. To inform the Committee of the current position on budgets and expenditure for 2014/15.
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Recommendation

It is recommended that the planned underspending of £0.562m be noted.

Introduction and Background

2. This report relates to the Authority's financial position for the period April – June 2014 (Quarter 1 – 2014/15), 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 2014 the Authority set a net revenue budget for 2014/15 of £32.637m, allocated to budget heads.
6. This was subsequently amended to reflect changes in demand, proposed use of earmarked reserves and budget holder savings that were still to be achieved at the time the budget was set.
7. Appendix I details not only the annual budget but also gives details of the projected year end expenditure. At the end of quarter 1 (30th June 2014) the main variations relate to the following service areas:
 - Whole Time Firefighter Pay – This saving relates to the agreed secondment of firefighters to Shropshire & Wrekin Fire Authority.
 - Capital Financing – This saving has two underlying causes:
 - anticipated slippage in the capital programme - the reasons for this are identified in the capital section of this report

- financing costs have been lower than provided for as cash balances have been used to fund expenditure in the short term, rather than external funds.
- 8. At this point in the financial year a net underspend of £0.412m is predicted.
- 9. Additionally with settlement of the Firefighters pay award at 1% there will be budget savings of a further £0.150m, which will reflect in future base budget savings.
- 10. It is now emerging, however, that DCLG will be changing the basis of distribution for the element of Special Grant relating to the costs of the Radio system. This is highly likely to have a significant detrimental impact on this Authority, and could be greater than the pay award saving.

Capital

- 11. The current capital budget (including approved rephrasing from 2013/14) detailed in Appendix 2, is £15.284m and is divided into 3 blocks:
 - Vehicle Replacement
 - Major Building
 - Minor Schemes
- 12. Of the total budget of £15.284m only £1.117m (7.3%) expenditure has been incurred , with a further £3.202m (20.9%) committed by way of orders; £0.831m remains as unallocated minor schemes.
- 13. Capital expenditure remains lower than expected in the budget for two main reasons:
 - a. The vehicle replacement programme continues to be on hold until the outcome of the CRMP is known.
 - b. Work was delayed on capital projects within the major building section for the following reasons:
 - Worcester – contractual issues surrounding the building specification.
 - Hereford – requirement for additional works at the planning stage due to sensitivity of selected site being within conservation area.

Treasury Management

- 14. 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.
- 15. At the beginning of the financial year (2014/15), borrowing was at a level of £14.471m, this will be reduced by £0.500m to £13.971m following a repayment to the Public Works Loans Board planned at the beginning of February 2015.

16. 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.
17. 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.
18. At 30th June 2014 short term investment with Worcestershire County Council comprised:

Organisation Type Invested in	H&WFRA (Proportion) £'000
Other Local Authorities	7,680
Money Market Fund (<i>Instant Access</i>)	1,900
Call	670
Total	10,250

19. An investment income target of £0.010m has been set for 2014/15, however as investments with the County Council are now more diversified, whilst still ensuring risk levels are reduced, income levels are higher than expected. In the 3 months to 30th June 2014 the Council received income from investments of £0.008m, this increased level is reflected in the capital financing variation.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	See paragraphs 5 – 10
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 – 2013/14 Revenue Budget Monitoring

Appendix 2 – 2013/14 Capital Budget Monitoring

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