

## **Report of the Treasurer**

### **5. 2016/17 Budget Monitoring – 1<sup>st</sup> Quarter**

#### **Purpose of report**

1. To inform the Committee of the current position on budgets and expenditure for 2016/17.

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#### **Recommendation**

***The Treasurer recommends that the Committee note the forecast revenue underspend of £0.656m (2.1%).***

#### **Introduction and Background**

2. This report relates to the Authority's financial position for the period April – June 2016 (Quarter 1 – 2016/17), 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 2016 the Authority set a net revenue budget for 2016/17 of £31.992m, 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 1 gives details of the projected year end expenditure. At the end of quarter 1 (30<sup>th</sup> June 2016) the main variations relate to:
  - Income from sharing the running cost of the HQ building with the tenant (Line 25). £0.050m
  - Pay award savings as awards now confirmed at 1% rather than the 2% originally budgeted (Line 32). £0.200m
  - Inflation provision savings. Provision is made for general inflation but only allocated to budget holders on an evidenced basis. The whole provision is not now required. (Line 33). £0.156m

8. All of the above changes will have an impact on future budgets and are included in the revision to the Medium Term Financial Plan (MTFP) included elsewhere on this Agenda.
9. In addition it is anticipated that there will be some short and longer term savings in capital financing cost.
10. The shorter term savings arise 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.
11. The longer term savings, which also have a short term impact, arise from planned changes to the Vehicle Strategy (reported elsewhere on this Agenda) which, if approved, will reduce the future capital expenditure requirement.
12. The detailed impact of these will be worked through when finance department resources are available once the External Audit is completed. At this point an initial estimated impact of £0.250m is predicted. (Line 27).

## **Capital**

13. The current capital budget (including approved rephrasing from 2015/16) was approved by the Authority in June 2016 and is detailed in Appendix 2. It is in two parts:
 

• Capital Budget (approved schemes)	£7.651m
• Schemes awaiting approval	£12.046m
• Total Capital Strategy	£19.698m
14. The approved Capital budget is divided into 4 blocks:
  - Vehicles
  - Major Buildings
  - Fire Control
  - Minor Schemes (allocated by Senior Management Board)
15. The Schemes waiting Approval total includes provision for Hereford and Redditch Fire Station replacement and the North Herefordshire Strategic Training Facility. It is expected that, once approved, expenditure will occur over a number of future years.
16. Of the Capital budget of £7.651m, £2.974m (39%) has been committed by way of expenditure and orders.
17. There will future amendments to the vehicle programme once a revised Fleet Strategy is approved.

## Treasury Management

18. 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.
19. At the beginning of the financial year (2016/17), borrowing was at a level of £13.137m, this will be reduced in February 2017 by an additional £0.500m to £12.637m following planned repayments to the Public Works Loans Board.
20. 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.
21. 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.
22. At 30<sup>th</sup> June 2016 short term investment with Worcestershire County Council comprised:

Organisation Type Invested in	H&WFRA (Proportion) £'000
Other Local Authorities	7,353
Debt Management Account Facility	425
Money Markey Funds*	3,476
Call	1,146
<b>Total</b>	<b>12,400</b>

\* Instant Access

23. An investment income target of £0.040m has been set for 2016/17, 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 30<sup>th</sup> June 2016 the Council received income from investments of £0.013m; this slightly increased level is reflected in the capital financing variation.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	See paragraphs 5-17 and 23
<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 – 2016/17 Revenue Budget Monitoring

Appendix 2 – 2016/17 Capital Budget Monitoring

## Contact Officer

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