

Report of the Treasurer

6. 2014/15 Budget Monitoring – 3rd 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 current position on budgets and expenditure for 2014/15 be noted.

Introduction and Background

2. This report relates to the Authority's financial position for the period April – December 2014 (Quarter 3 – 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 the management structure and the proposed use of provisions.
7. Appendix 1 details not only the annual budget but also gives details of the projected year end expenditure. A breakdown of the budget variation is given in the table overleaf with an explanation of the nature and cause of significant variances.

Budget Heading	Quarter 1 Variance £'000	Quarter 2 Variance £'000	Quarter 3 Variance £'000
Wholetime Firefighter	(212)	(274)	(348)
RDS Firefighter	(95)	0	0
Control Pay	5	22	17
Support Pay	(35)	(60)	(6)
Industrial Action		39	53
Capital Financing	(200)	(200)	(200)
Pay Award Provision		(160)	(126)
Facilities Management			(104)
Authority Costs	0	(3)	(48)
Misc Net Other		(80)	(93)
Total	(537)	(716)	(855)

8. At the end of Quarter 3 (31st December 2014) the main variations relate to the following service areas:
- Wholetime Firefighter Pay – This saving has increased since the previous estimate due to the increased secondment of firefighters.
 - Support Pay – This saving has reduced from that anticipated last quarter because of the one-off cost of redundancies, following restructures within the Service.
 - Facilities Management – The saving has increased from that predicted in the previous quarter, this is due to receiving further significant refunds on Business Rate payments.
 - Capital Financing – the variation arises from the following three main causes:
 - Cash payments in respect of the major building schemes are proceeding at a slower pace than anticipated in the budget.
 - Pause on the vehicle replacement programmes whilst awaiting the outcome of the Community Risk Management Plan (CRMP) process.
 - In the short term interest rates remain low against a budget based on a historically higher average which may return during the MTFP period.
 - Pay Award Provision – The anticipated saving is due to the annual Firefighter pay increase of 1% being less than that budgeted at 2%, and the support staff increase being 2.2% from 1st January 2015 for two years rather than that budgeted as 2% each financial year.
9. Authority Costs – the saving has increased from that anticipated at the end of the previous quarter because a provision had been made for outstanding payments which is not now required.

10. At this point in the financial year a net underspend of £0.855m is now predicted.

Capital

11. The current capital budget (including approved rephasing from 2013/14) detailed in Appendix 2, is £15.282m and is divided into 4 blocks:
- Vehicle Replacement
 - Fire Control Replacement/Upgrade
 - Major Building
 - Minor Schemes
12. Of the total budget of £15.282m only £3.379m (22.1%) expenditure has been incurred , with a further £1.558m (10.2%) committed by way of orders; £0.243m remains as unallocated minor schemes.
13. Capital expenditure remains lower than expected in the budget, for two main reasons:
- a. The vehicle replacement programme has been on hold pending the final decision on the CRMP.
 - b. Work was delayed on capital projects within the major buildings section for the following reasons:
 - Worcester – contractual issues surrounding the building specification in the early part of the year.
 - Hereford – problems have occurred relating to the original site selected for the new station and work is now underway to identify an alternative site.
 - Redditch – this project has slipped as a result of other projects slipping and lack of capacity to move forward at this time. Once Worcester is operational and the Hereford project is finalised works will commence in earnest to identify a site.

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 has been 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 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 31st January 2015 short term investment with Worcestershire County Council comprised:

Organisation Type Invested in	H&WFA (Proportion) £'000
Other Local Authorities	4,426
DMADF*	0,705
MMF**	0,981
Call	0,888
Total	7,000

* Debt Management Account Deposit Facility

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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 9 months to 31st December 2014 the Council received income from investments of £0.031m, 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 4 – 9
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 – 2014/15 Revenue Budget Monitoring

Appendix 2 – 2014/15 Capital Budget Monitoring

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