

Report of the Treasurer

5. 2015/16 Budget Monitoring – 3rd Quarter

Purpose of report

1. To inform the Policy and Resources Committee of the current position on budgets and expenditure for 2015/16.
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Recommendations

The Treasurer recommends that the forecast revenue underspend of £1.048m be noted.

Introduction and Background

2. This report relates to the Authority's financial position for the period April – December 2015 (Quarter 3 – 2015/16), and an outturn projection based on that position. However, due to the timing of the committee, payroll projections have been based on an updated Month 11 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 2015/16 of £32.275m, 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. The Appendix details the annual budget and gives details of the projected year end expenditure. A full breakdown of the budget variation is given in Appendix 1 but the table overleaf provides a summary of the position.

	Quarter 2 Variance £m	Quarter 3 Variance £m	Change £m	Note
Employee Costs	(0.201)	(0.205)	(0.004)	
Pay & Inflation Provision	(0.391)	(0.400)	(0.009)	
Capital Financing	(0.200)	(0.200)		
	(0.792)	(0.805)	(0.013)	
Strategic Management		(0.019)	(0.019)	a
New Dimensions		(0.014)	(0.014)	
Technical Fire Safety		(0.003)	(0.003)	
Community Safety		(0.024)	(0.024)	
Training Dept.		(0.093)	(0.093)	
P & I		0.022	0.022	b
Ops Policy		(0.014)	(0.014)	
Human Resources		(0.036)	(0.036)	
Ops Logistics		(0.094)	(0.094)	c
Fleet		(0.045)	(0.045)	
PPP - FRA Costs		(0.005)	(0.005)	
ICT		(0.031)	(0.031)	
Insurances		0.019	0.019	
	(0.792)	(1.142)	(0.350)	
Reserve - Ops logs		0.094	0.094	c
	(0.792)	(1.048)	(0.256)	

8. Since the 2nd quarter the increased saving arises from within expenditure budgets as constraint continues to be exercised. The key changes are explained below:
- Provision was made to share the employment cost of a regional ESMCP project lead to assist with coordinating the roll out of the planned new radio system. Recruitment to this post (to be employed by Warwickshire FRS) has been significantly delayed.
 - P&I overspend includes the additional costs of Wyre Forest Consultation, which cannot be capitalised.
 - Operational Logistics saving is a result of deferring replacement of fire ground radios until the impact of ESMCP is better understood. It is proposed to reserve this sum until the radios are actually replaced.
9. Following a re-assessment of the out-turn projection in respect of travel costs and use of the resilience register, the saving on use of the budget reduction reserve reduces to £0.134m.
10. At this point in the financial year a net underspend of £1.048m is predicted.

Capital

11. The current capital budget (shown in Appendix 2 with minor schemes detailed in Appendix 3), is £11.159m and is divided into 4 blocks:
 - Vehicle Replacement
 - Major Building
 - Command & Control
 - Minor Schemes
12. Of the total budget of £11.159m only £2.305m (20.7%) expenditure has been incurred, with a further £0.729m (6.5%) committed by way of orders, a total of 27.2%.
13. At this stage, however, the Authority has not given full approval for the Redditch Fire Station or new Hereford Fire Station schemes included in the budget and £1.003m remains as unallocated minor schemes (following a review of property schemes with PPL). Against this amended total spend and commitment totals 50.2%.
14. In the earlier part of the year work required from the Property Team in preparation for PPL reduced the capacity to undertake the minor works programme, it is anticipated that this problem will ease now that PPL is established. The first stage of this was the review and prioritisation of existing schemes.
15. In addition, staff recruitment issues have had an impact on the capacity of the ICT team to deliver the minor IT schemes and no additional schemes will be approved by SMB until the existing schemes can be resourced from within approved and budgeted staff levels.

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 (2015/16), borrowing was at a level of £13.971m; this has been reduced by £0.334m in August 2015 and a further £0.500m in February 2016, to £13.137m 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 31st December 2015 short term investment via Worcestershire County Council comprised:

Type of Organisation Invested with	£m
Other Local Authorities	7.105
Debt Management Account Deposit Facility	0.907
Money Market Funds (instant access)	3.800
Call	0.588
Total	12.400

21. An investment income target of £0.010m has been set for 2015-16, 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 2015 the Authority received income from investments of £0.035m; this increased level is reflected in the capital financing variation.

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: 2015-16 Revenue Budget Monitoring

Appendix 2: 2015-16 Capital Budget Monitoring

Appendix 3: 2015/16 Minor Capital Schemes

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