

## **Report of the Treasurer**

### **5. 2016/17 Budget Monitoring – 2nd Quarter**

#### **Purpose of report**

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

#### **Recommendation**

**The Treasurer recommends that the Committee note:**

- i. the forecast revenue underspend of £1.056m (3.3%); and*
- ii. the virement of £0.057m to operational equipment and £0.071m to a full property condition survey.*

#### **Introduction and Background**

2. This report relates to the Authority's financial position for the period April – September 2016 (Quarter 2 – 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 the proposed use of earmarked reserves and allocation of pay award provision.
7. Appendix 1 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 1 Variance £m	Quarter 2 Variance £m	Change £m	Note
RDS FF Pay Employee Costs		(0.092)	(0.092)	a
Pay & Inflation Provision	(0.356)	(0.446)	(0.090)	b
Capital Financing	(0.250)	(0.250)		c
	<b>(0.606)</b>	<b>(0.788)</b>	<b>(0.182)</b>	
Strategic Management		(0.015)	(0.015)	c
New Dimensions		(0.007)	(0.007)	c
Community Safety		(0.004)	(0.004)	c
Training Department		(0.037)	(0.037)	c
P & I		(0.008)	(0.008)	c
Ops Policy		(0.014)	(0.014)	c
Human Resources		(0.024)	(0.024)	c
Fleet		(0.022)	(0.022)	c
FRA Costs		(0.003)	(0.003)	c
ICT		(0.012)	(0.012)	c
Finance (FRS)	(0.050)	(0.053)	(0.003)	c
Legal Services		(0.004)	(0.004)	c
	<b>(0.656)</b>	<b>(0.991)</b>	<b>(0.335)</b>	
Excess Staff (Net)		(0.065)	(0.065)	d
	<b>(0.656)</b>	<b>(1.056)</b>	<b>(0.400)</b>	

8. Since the 1<sup>st</sup> quarter savings levels have increased from within the expenditure budgets as constraint continues to be exercised. The key variations changed at Quarter 2 over Quarter 1 are explained below:

- a) RDS underspending reflecting 2014/15 and 2015/16 outturn position, £0.092m;
- b) Pay award savings from 1% pay award, now calculated rather than initial estimate used at Quarter 1, £0.090m. This base saving will reduce the future expenditure need and reduce further the recently revised Medium Term Financial Plan budget gap;
- c) Net underspending in budget holder areas, £0.153m, just over 4% of the budget concerned; and
- d) Net saving on remaining excess staff, £0.065m.

9. There is no variation in respect of Facilities Management costs as Place Partnership Limited are still unable to supply reliable forecast data.

## Virement

10. In line with Financial Regulations the Chief Fire Officer and Treasurer propose the following virements of the budget holder underspendings:

- a) £0.071m to conduct a full condition and efficiency survey of all Authority property to inform the future Capital Programme;
- b) £0.033m to provide mobile IT devices for operational officers that currently do not have access to them; and
- c) £0.024m to provide additional specialist protective equipment for operational personnel.

## **Capital**

11. The current capital budget (including approved rephasing 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)	£7.610m
• Schemes awaiting approval	£12.024m
• Total Capital Strategy	£19.634m

12. The approved Capital budget is divided into 4 blocks:

- Vehicles
- Major Buildings
- Fire Control
- Minor Schemes (allocated by Senior Management Board)

13. 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.

14. Approval has recently been given by the Fire Authority at the meeting on 11 October 2016, for the construction of the Wyre Forest Emergency Services Hub, this will be incorporated into the capital budget in Quarter 3.

15. Of the Capital budget of £7.610m, £3.993m (52%) has been committed by way of expenditure and orders.

16. There will be amendments required to the capital programme due to the changes made to the vehicle programme now the Fleet Strategy has been approved.

## **Treasury Management**

17. 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.

18. 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.
19. 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.
20. 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.
21. At 30<sup>th</sup> September 2016 short term investment with Worcestershire County Council comprised:

Organisation Type Invested in	H&WFRA (Proportion) £'000
Other Local Authorities	7,738
Debt Management Account Facility	289
Money Market Funds (Instant Access)	3,658
Call	1,715
<b>Total</b>	<b>13,400</b>

\* Instant Access

22. 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 Authority received income from investments of £0.013m; this slightly increased level is reflected in the capital financing variation. Second Quarter data has not yet been received from the County Council.

## 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

Martin Reohorn, Treasurer to the Authority  
(01905 368205)  
Email: [mreohorn@hwfire.org.uk](mailto:mreohorn@hwfire.org.uk)