

Report of the Treasurer

6. 2014/15 Budget Monitoring – 2nd Quarter

Purpose of report

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

The Chief Fire Officer and Treasurer recommend that the report be noted.

Introduction and Background

2. This report relates to the Authority's financial position for the period April – September 2014 (Quarter 2 – 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 also included about the Authority's Treasury Management position.

Revenue

5. In February 2014 the Fire and Rescue Authority (FRA) 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 I details the annual budget and gives details of the projected year end expenditure. A breakdown of the budget variation is given in the table below with an explanation of the nature and cause of significant variances (savings).

	Quarter 1 Variance £m	Quarter 2 Variance £m	Change £m
Employee Costs	(0.212)	(0.273)	(0.061)
Pay Award Provision	(0.160)	(0.160)	0.000
Capital Financing	(0.200)	(0.200)	0.000
	(0.572)	(0.633)	(0.061)

At the end of Quarter 2 (September) the main changes from the Quarter 1 (June) projections are:

- a. Whole Time Fire Fighter Pay –saving now relates to the secondment of eight firefighters to Shropshire & Wrekin Fire Authority, rather than the six anticipated in June.
 - b. Support Pay – an increase in the number of vacant posts where a managerial decision has been made not to recruit at this stage.
8. Based on discussions with budget-holders, potential net savings of £0.072m have been identified.

	Variance £m
Strategic Management	(0.017)
New Dimensions	(0.011)
Community Safety	(0.009)
Training Dept	(0.044)
P & I	(0.011)
Ops Policy	(0.008)
Personnel	(0.020)
PPP - FRA Costs	(0.003)
Legal Services	(0.011)
Fleet	0.051
	(0.072)

9. At this point in the year an net underspend of £0.705m is predicted

Capital

10. The current capital budget (including approved rephasing from 2013/14) detailed in Appendix 2, is £15.107m and is divided into 4 blocks:
- Vehicle Replacement
 - Fire Control Replacement/Upgrade
 - Major Building
 - Minor Schemes
11. Of the total budget of £15.107m only £2.484m (16.4%) expenditure has been incurred , with a further £2.341m (15.5%) committed by way of orders; £0.243m remains as unallocated minor schemes.
12. Capital expenditure remains lower than expected in the budget, for two main reasons:
- a. The vehicle replacement programme had been on hold pending the final decision on the CRMP.
 - b. Work was delayed on capital projects within the major buiding 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

13. 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.
14. At the beginning of the financial year (2014/15), borrowing was at a level of £14.471m, this will be reduced by £0.500m in February 2015 as a result of a planned repayment to the Public Works Loans Board.
15. 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.
16. 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.
17. At 30th September 2014 short term investment with Worcestershire County Council comprised:

Organisation Type Invested in	H&WFRA (Proportion) £'000
Other Local Authorities	8,151
MMF*	1,391
Call	958
Total	10,500

* Instant Access

18. 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.
19. In the 6 months to 30th September 2014 the Authority received income from investments of £0.018m, 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 – 8
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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