

Report of the Treasurer

5. 2015/16 Budget Monitoring – 2nd 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 £0.792m be noted.

Introduction and Background

2. This report relates to the Authority's financial position for the period April – September 2015 (Quarter 2 – 2015/16), 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 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. Since the first quarter report responsibility for the Authority's share of Place Partnership Ltd (PPL) costs has been amended and the budgets associated with excess staff have been re-allocated. This has had no impact on the overall budget and the changes are shown in the detail of Appendix 1.
8. The Appendix details the annual budget and 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 (savings).

	Quarter 1 Variance £m	Quarter 2 Variance £m	Change £m
Employee Costs		(0.201)	(0.201)
Pay & Inflation Provision		(0.391)	(0.391)
Capital Financing	(0.200)	(0.200)	
	(0.200)	(0.792)	(0.592)
Net Excess Staff		(0.293)	(0.293)
Planned Transfer to Budget Reduction Reserve		0.293	0.293
	(0.200)	(0.792)	(0.592)

9. Since the 2nd quarter the expected saving on capital financing continues with additional savings arising from:
- a) RDS pay is projected to underspend, consistent with the 2014/15 out-turn, as activity is at an all time low, £0.201m.
 - b) The settlement of the firefighters pay award at 1% rather than the 2% budgeted will save £0.266m in year and in future years.
 - c) Some of the budget provision for inflation has not been required and will save £0.125m. Again this will be a saving on future years as well.
 - d) The savings from the management of our workforce reductions are greater than originally anticipated due to a number of factors:
 - i) Permanent transfers to Shropshire.
 - ii) Other unanticipated leavers.
 - iii) Reduction in Station Commanders earlier than expected.
 - iv) Excess travel costs lower than the prudent estimate made.
 - e) At this point there is a forecast net saving of £0.293m, but as the plan to deal with excess staff extends to 2019/20 it is suggested that the saving is added to the planned contribution to the Budget Reduction Reserve.
10. At this point in the financial year a net underspend of £0.792m is predicted.

Capital

11. The current capital budget (including approved rephrasing from 2014/15) detailed in Appendix 2, is £14.649m and is divided into 3 blocks:
- Vehicle Replacement
 - Major Building
 - Minor Schemes
12. Of the total budget of £14.649m only £1.499m (10.2%) expenditure has been incurred, with a further £1.439m (7.8%) committed by way of orders, a total of 17.9%.
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

£0.784m remains as unallocated minor schemes. Against this amended total spend and commitment totals 30.4%.

14. Work was delayed on building projects for the following reasons:
- a) Hereford – this project has now commenced with an outline planning application being submitted. Discussions are still underway with West Mercia Police as to their requirements for this project.
 - b) Redditch – there has been no site selected for this development.
 - c) In addition, 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.
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 will be further reduced in February 2016, by an additional £0.500m to £13.137m following 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 30th September 2015 short term investment with Worcestershire County Council comprised:

Organisation Type Invested in	H&WFA (Proportion) £'000
Other Local Authorities	8,934
Money Market Funds (instant access)	2,859
Call	1,707
Total	13,500

21. 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 6 months to 30th September 2015 the Authority received income from investments of £0.021m, 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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