

Report of the Treasurer

5. 2015/16 Budget Monitoring – 1st Quarter

Purpose of report

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

Recommendation

The Treasurer recommends that the forecast revenue underspend of £0.2m (0.6%) is noted.

Introduction and Background

2. This report relates to the Authority's financial position for the period April – June 2015 (Quarter 1 – 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. Appendix I details not only the annual budget but also gives details of the projected year end expenditure. At the end of quarter 1 (30th June 2015) the main variation relates to:
 - Capital Financing – This saving relates to the two following reasons, the anticipated slippage in the capital programme, the reasons for this are identified in the capital section of this report, and that financing costs have been lower than provided for as cash balances have been used to fund expenditure rather than external funds.
8. At this point in the financial year a net underspend of £0.200m is predicted.

Capital

9. The current capital budget (including approved rephrasing from 2014/15) as detailed in Appendix 2, is in two parts:
 - a. Capital Budget – schemes approved £5.577m
 - b. Schemes awaiting approval £5.574m
 - c. Total Funded Capital Strategy £11.151m
10. The approved Capital budget is divided into 4 blocks:
 - Vehicle Replacement
 - Major Building
 - Fire Control
 - Minor Schemes (allocated by Senior Management Board)
11. Of the Capital budget of £5.577m, £0.918m (16%) expenditure has been incurred, with a further £1.235m (22%) committed by way of orders.

Treasury Management

12. 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.
13. At the beginning of the financial year (2015/16), borrowing was at a level of £13.971m, this has been reduced by £0.334 in August 2015 and will be further reduced in February 2016 by an additional £0.500m to £13.137m following planned repayments to the Public Works Loans Board.
14. 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.
15. 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.

16. At 30th June 2015 short term investment with Worcestershire County Council comprised:

Organisation Type Invested in	H&WFRA (Proportion) £'000
Other Local Authorities	6,929
MMF*	2,263
Call	1,308
Total	10,500

* Instant Access

17. 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 3 months to 30th June 2015 the Council received income from investments of £0.009m, 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

Contact Officer

Martin Reohorn, Treasurer to the Authority
(01905 368205)

Email: mreohorn@hwfire.org.uk