

Report of the Treasurer

Budget Monitoring 2022/23 – Quarter 3

Purpose of report

1. To inform Members of the current position on the revenue and capital budget for 2022/23.
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Recommendation

It is recommended that the Committee approves a transfer from the Budget Reduction Reserve to fund the forecast Revenue Budget over-spend of £0.513m.

Introduction and Background

2. This report follows the established format and, for the Revenue budget, is an out-turn projection nominally based on third quarter information, but incorporating latest information up to mid February.
3. For the Capital report, because capital projects tend to last beyond a single financial year, the report shows progress against the approved scheme totals.
4. Details are also included about the Authority's Treasury Management position for the period and the latest available month end position on investments.

Revenue Budget

5. In February 2022 the Fire Authority set a Core Budget of £36.853m (*Appendix 1: Column 2, Row 32*), which was funded by Precept, Grants and Retained Business Rates of £37.012m (*Appendix 1: Column 2, Row 49*). After some technical adjustments to balances this allowed a small transfer of £0.208m to the Buildings Cost Reserve as approved by the Fire Authority. (*Appendix 1: Column 2, Row 53*).
6. Column 3 of Appendix 1 shows the current out-turn projection against these revised budgets, and columns 4 and 5 identify the variation. For ease of explanation this has been split between those cumulatively identified at Quarter 2 and the additional variations now identified.
7. There is only one significant addition, in relation to the Grey Book (uniformed) pay award offer which no reflects the latest 7% offer to employees
8. The net impact is to give a net overspend of £0.513m as shown below;

	Budget	Forecast	Variation
	£m	£m	£m
Employee Related	25.270	26.226	0.956
Running Costs	8.756	8.948	0.192
Capital Financing	2.827	2.377	(0.450)
	36.853	37.551	0.698
Funding	(37.012)	(37.197)	(0.185)
Net Reserves	0.159	0.159	0.000
	0.000	0.513	0.513

9. It is proposed that this met by a draw on the Budget Reduction Reserve, which is partially offset by a budget surplus in 2023/24 as set out in the Budget and MTFP approved by the Authority on 13th February.

Capital Budget

10. The current capital budget is detailed in Appendix 2 and summarised below;

	Vehicle Prog £m	Major Build £m	Other Major £m	Alloc Minor £m	Unalloc Minor £m	Future Builds £m	TOTAL £m
Approved at Qtr.2	3.826	8.107	0.590	2.552	0.166	12.757	27.998
Major Schemes Allocation		0.076				(0.076)	0.000
Minor Schemes Allocation				0.180	(0.180)		0.000
Approved at Qtr. 3	3.826	8.183	0.590	2.732	(0.014)	12.681	27.998
Less Expd. to 2021/22	1.345	7.473	0.431	0.664		0.000	9.913
Unspent Budget C/fwd.	2.481	0.710	0.159	2.068	(0.014)	12.681	18.085

11. The approved capital budget is divided into four blocks:
- Major Buildings – in accordance with the approved Property Strategy
 - Vehicles – in accordance with the approved Vehicle Strategy
 - Other Major Schemes - Fire Control and Mobile Data Terminals
 - Minor Schemes - allocated by Strategic Leadership Board (SLB)
12. The Future Buildings Scheme figure (*Appendix 2: Row 73*) is provision for Hereford, Redditch and Broadway fire station replacements and the North Herefordshire Strategic Training Facility. These schemes are not disclosed separately to protect the Authority's procurement interest until contracts are fully awarded.
13. The budget will be subject to adjustment to reflect the recently agreed revised arrangements for the funding of the Redditch scheme.
14. Allowing for the Schemes awaiting allocation or approval, the Budget available to be spent at the start of 2022/23 is £5.346m and is summarised overleaf:

		£m
Total Approved Budget	Column 5 Line 75	27.999
Less: Future Buildings	Column 5 Line 74	(12.682)
Less: Unallocated Minor	Column 5 Lines 71	(0.058)
Approved to Spend		15.259
Incurred to 2020/21	Column 6 Line 75	(9.913)
Balance		5.346

15. Against this budget £0.1.675m or 31% (*Column 8, Row 75*) has been incurred, with a further £ 1.087m (20%) committed by way of Orders placed.
16. The revenue costs of the financing of the capital programme are contained within the revenue budget.

Treasury Management

17. Since October 2008 the Authority has adopted a policy of avoiding long term borrowing where working cash balances permit, and will only incur long term borrowing to finance long term assets.
18. However, it should be noted that the Authority is significantly “under-borrowed” to the extent of around £10m. This shortfall is funded by disinvesting the large cash balances held in relation to the ear-marked revenue reserves. As the invest to improve programme progresses this cash will be used up and additional long term borrowing will be required.
19. As a result of recent increases in interest rates, the long term borrowing rate now exceeds the average rate of the current debt. It might be considered worth taking new borrowing now, before rates climb higher, but given the level of revenue balances in the short term this is not deemed prudent.
20. Rates are always under review to ensure borrowing is taken at an appropriate point. Members can be assured that the MTFP takes account of the impact of this need in respect of Capital financing charge, and the recently approved MTFP has been updated for the new interest rates.
21. At 31 March 2022 long term borrowing stood at £10.411m, with £1.365m repaid this year as scheduled, leaving an expected £9.046m at 31 March 2023.
22. All existing borrowing is via the Public Works Loans Board (PWLB), and it is probable that any future borrowing will be from the same source, as PWLB remains the only practical alternative for the Fire Authority.
23. In accordance with the Authority’s Treasury Management Strategy (approved in February each year by the Fire Authority) surplus funds are invested by Worcestershire County Council (WCC) alongside their own funds. Investment is carried out in accordance with WCC’s own Treasury Management Strategy, which is developed from the Prudential Code for Capital Finance and is used to manage risks from financial instruments.

24. The Treasurer continues to advise that investment should be focused on security and, as a consequence, surplus funds continue to generate low returns, which are factored into the revenue budget.
25. Short term investments via WCC at 30-Dec-2022 are shown in the table below. For completeness the current account balance is now also shown.

Money Market Funds	3.587
Cash Plus (liquidity fund)	3.409
Call	1.704
via WCC	8.700
Current Account	3.803
	<hr/> 12.503

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Yes – whole Report
Strategic Policy Links & Core Code of Ethics (Identify how proposals link with current priorities & policy framework and align to the Core Code of Ethics)	Budget and Financial Plan underpins all other strategies
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	n/a
Consultation (identify any public or other consultation that has been carried out on this matter)	n/a
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	n/a
Data Protection Impact Assessment (where personal data is processed a DPIA must be completed to ensure compliant handling)	n/a

Supporting Information

Appendix 1: Revenue Budget Monitoring 2022/23 Quarter 3

Appendix 2: Capital Budget Monitoring 2022/23 Quarter 3