

Report of the Treasurer

Budget Monitoring 2021/22 – Quarter 2

Purpose of report

1. To inform Members of the current position on the revenue and capital budget for 2021/22.
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Recommendation

It is recommended that the Authority:

- i) Approves the revised Core Revenue Budget at £35.356m; and***
- ii) Notes the net Revenue overspend of £0.026m.***

Introduction and Background

2. This report follows the established format and for the Revenue budget is an out-turn projection nominally based on second quarter information, but incorporating latest information up to early November.
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 September 2021 the Policy and Resources Committee approved a Revised Core Budget of £35.276m (*Appendix 1: Column 1, Row 36*), which was funded by Precept, Grants and Retained Business Rates of £35.065m (*Appendix 1: Column 1, Row 41*), and planned net transfers from reserves of £0.211m (*Appendix 1: Column 1, Row 46*).
6. In preparation for the replacement Fire Control project, and to allow the release of staff there has been a temporary increase in Fire Control staffing. This will give time for sufficient staff to be trained and ready before existing staff are abstracted onto the project. This cost will be funded from the specific reserve set aside for this project and the budget is therefore increased appropriately.
7. The new Revised Core Budget of £35.356m is shown at *Appendix 1: Column 3, Row 36*.

8. Column 5 of Appendix 1 shows the current out-turn projection against these revised budgets, and column 7 shows the additional variation now appearing at the second quarter.
9. As a reminder the variations reported at Quarter 1 were:
 - a. **+£0.266m** relating to pay awards.
 - b. **-£0.080m** relating to Capital Financing. The Chief Fire Officer will bring future proposals to invest this to improve appliance availability.

The additional variations now reported at Quarter 2 are:

- a. **-£0.030m** relating to National Insurance Contributions on provided vehicles – this presents an on-going saving and will be reflected in future budgets
 - b. **-£0.050m** relating to travel/subsistence and accommodation. In the first part of the year we were still subject to Covid restrictions and normality has not yet returned so there will be a saving in these items but the long-term situation is not clear.
 - c. **-£0.080m** relating to further savings in capital financing.
10. It is possible that at quarter 3 there will be cost pressures on fuel and utility costs but these are yet to materialise in sufficient detail to quantify at the moment.

Capital Budget

11. The current capital budget, as amended by this Committee in September 2021 is detailed in Appendix 2 and summarised below.

Approved at Sep 2021	2.715	7.916	0.590	2.532	0.212	12.949	26.914
Closed Schemes	0.000	0.000	0.000	(0.099)	0.000	0.000	(0.099)
Minor Schemes Allocation	0.000	0.000	0.000	0.035	(0.035)	0.000	0.000
Approved at Nov 2021	2.715	7.916	0.590	2.468	0.177	12.949	26.815
Expenditure to 2020/21	0.423	7.219	0.318	0.635	0.000	0.000	8.595
Unspent Budget C/fwd.	2.292	0.697	0.272	1.833	0.177	12.949	18.220

12. 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 Senior Management Board)
13. The Future Buildings Scheme figure (*Appendix 2: Row 66*) 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 actually awarded.
14. Allowing for the Schemes awaiting allocation or approval the Budget available to be spent at the start of 2021/22 is £5.094m and is summarised below:

		£m
Total Approved Budget	<i>Column 2 Line 67</i>	26.815
Less: Future Buildings	<i>Column 2 Line 66</i>	(12.949)
Less: Unallocated Minor	<i>Column 2 Line 63</i>	(0.177)
Approved to Spend		13.689
Incurred to 2020/21	<i>Column 3 Line 67</i>	(8.595)
Balance		5.094

15. Against this budget £2.412m (*Column 5, Row 67*) has been incurred. This represents 47% of the relevant budget at the end of the second quarter.
16. There are two matters to which Members attention is drawn:
 - a. The apparent over-spending on Broadway FS Prelims (*line 14*). The Authority has approved this Scheme to proceed and spend up to the project budget, but until contracts are let this sum is not being disclosed. There will be a further budget transfer from the Future building Scheme provision to cover this.
 - b. Small overspendings on Minor Schemes (lines 26, 36, 38 & 55) totalling £8,409. These are under investigation, but if justified will require an additional allocation from the unallocated Minor Schemes provision.

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. As the Authority is currently holding significant earmarked reserves, and has recently sold the old HQ building cash balance do not currently require additional borrowing.
19. At 31st March 2021 long term borrowing stood at £12.137m, with £1.726m scheduled to be repaid this year, leaving an expected £10.411m at 31st March 2022.
20. It is unlikely that additional borrowing will be required this year (see paragraph 20 above), but rates are always under review to ensure borrowing is taken at an appropriate point.
21. 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.
22. 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.

23. 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.
24. At 31-Aug-2021 (*the latest date for which WCC have provided information*) short term investment via WCC comprised:

Other Local Authorities	2.586
Money Market Funds	5.054
Call (instant access)	2.274
Cash Plus (liquidity fund)	2.586
	12.500

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Whole Report
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?)	N/A

Supporting Information

Appendix 1 Revenue Budget Monitoring 2021/22 Quarter 2

Appendix 2 Capital Budget Monitoring 2021/22 Quarter 2