

Report of the Treasurer

Budget Monitoring 2025/26 – Quarter 2

Purpose of report

1. For Members to scrutinise the current position on the revenue and capital budget for 2025/26, and to receive an update on Treasury Management.
-

Recommendation

It is recommended that the Committee:

- i. Confirms the revenue budget allocation adjustments (paragraphs 7 to 8 & Appendix 1);*
- ii. Notes that the budget has now moved from a £125,000 surplus to a small £8,600 surplus;*
- iii. Notes the consequential impact on the MTFP, (paragraphs 11 to 12 & Appendix 2); and*
- iv. Notes the changes to the Capital Budget (paragraph 14 & Appendix 3).*

Introduction and Background

2. This report sets out the position in relation to budgets at the end of the first quarter of the financial year. It includes separate sections on Revenue and Capital budgets:
 - For the Revenue Budget, there is normally an Out-turn projection nominally based on second quarter (26 weeks) information, but the timing of this Committee is such that there are only 19 weeks actual spend data available.
 - For the Capital report, because capital projects tend to last beyond a single financial year, the report shows progress against the approved scheme totals.
3. The report also includes proposed budget adjustments, which are explained more fully below, and an early assessment of the Spending Review outcomes.
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 2025 the Fire Authority set Budget which had a net deficit of £0.432m and agreed, if necessary, to fund this amount from the Budget Reduction Reserve, whilst asking the Chief Fire Officer to identify savings to cover this gap (and future budget gaps identified in the MTFP).
6. The budget was set before the final outcome of the national negotiated pay awards was known (the Quarter 1 projection included the impact of the Grey Book but not the Green book awards). This has the impact of adding a further £0.366m to the deficit bringing it up to a total of £0.798m.
7. To offset this the Strategic Leadership Board has agreed a final savings plan which reduces costs by £0.807m in this year, bringing the budget to an overall small surplus of £0.008m.
8. The full year impact of these savings is **£1.1m.**
9. As some of these savings and costs were recognised at Quarter 1, Appendix 1 shows the changes to the final position.
10. Against the revised budget of £44.669m (*Appendix 1: Column 6, Row 31*) there are 3 significant variations to report at this point:
 - Facilities Management: £0.070m over. This relates to 2024/25 business rates for the fire share of the joint Bromsgrove Fire/police station which were not notified until August 2025.
 - Finance: £0.080m additional income. At the Policy & Resources Committee meeting on 31st January 2018, it was agreed that the Authority could join the LGA led “Truck Manufacturers Cartel – Compensation Claim”. This has now been settled and the Authority is to receive £0.080m. This will be used to fund vehicle purchases and will offset future capital financing costs by around £0.009m per year.
 - Capital financing: savings in costs as a result of 2024/25 programme slippage.
11. The net saving from the above is £0.110m and will be transferred £0.080m to the capital reserve to fund vehicles as indicated and £0.030m to the Budget Reduction Reserve.

Impact on the Medium Term Financial Plan (MTFP)

12. Appendix 2 show the impact of the pay awards and revised savings plan on the MTFP, and show a reduction in the gap over the period.
13. This is, however, before the impact of the “Fair” Funding Review.

Capital Budget

14. The approved capital budget is detailed in Appendix 3 and is divided into five blocks:
- Vehicles – in accordance with the approved Vehicle Strategy.
 - Major Buildings – in accordance with the approved Property Strategy.
 - Future Buildings Schemes.
 - Major Equipment.
 - Minor Schemes – allocated by the Strategic Leadership Board (SLB).
15. There have been a number of changes to the budget since it was last reported to the Authority in the Provisional Financial Out-turn report in June 2025 and these changes are summarised below:

	Vehicles £m	Major Builds £m	Major Equip £m	Alloc. Minor £m	Unalloc Minor £m	Future Builds £m	TOTAL £m
P&R Committee - July 2025	2.494	16.298	1.460	2.126	0.616	1.383	24.377
Major Schemes Allocation		0.650				(0.650)	0.000
Minor Schemes Allocation				0.587	(0.587)		0.000
Revised Budget	2.494	16.948	1.460	2.713	0.029	0.733	24.377

16. Allowing for the Schemes awaiting allocation or approval, the Budget available to be spent at the start of 2025/26 is £19.218m; of which £13.829m relates to the new Hereford Fire Station; and is summarised below:

		£m
Total Approved Budget	<i>Column 4 Line 51</i>	24.376
less: prior year spend	<i>Column 5 Line 51</i>	(4.396)
		19.980
Less: Future Buildings	<i>Column 6 Line 15</i>	(0.733)
Less: Unallocated Minor	<i>Column 6 Line 49</i>	(0.029)
Approved to Spend		19.218

17. Against this budget £1.038m (5%) (*Column 7, Line 51*) has been incurred, with an additional £13.927m (72%) committed by way of orders and contracts.
18. Members will note that there is little expenditure against the programme. This is because the Fleet Plan is currently under review where the quality or recent investment by the Authority means that some planned replacements are not yet required. It is expected that there will be changes to the budget proposed in the Quarter 3 Report.
19. The revenue costs of financing the capital programme are contained within the revenue budget.

Treasury Management

20. 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.
21. 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 and monies statutorily set aside for future repayment of loans. As the Invest to Improve programme progresses this cash will be used up and additional long-term borrowing will be required.
22. 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.
23. 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.
24. At 31 March 2025 long-term borrowing stood at £8.488m.
25. 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.
26. 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.
27. The Treasurer continues to advise that investment should be focused on security and, as a consequence, surplus funds continue to generate lower returns, which are factored into the revenue budget.
28. Short-term investments via WCC at 31st July 2025 (*which is the latest data month end data available as this report was written in mind August*) are shown in the table below. For completeness the current account balance is now also shown:

Money Market Funds	8.686
Cash+	1.594
Call	0.120
<hr/>	
via WCC	10.400
Current Account	3.950
	<hr/>
	14.350

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
Productivity & Efficiency (Identify how proposal improves productivity or efficiency)	n/a
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 2025/26 Quarter 2

Appendix 2: Medium Term Financial Plan Review

Appendix 3: Capital Budget Monitoring 2025/26 Quarter 2