

Report of the Treasurer

Budget Monitoring 2025/26 – Month 7

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.
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Recommendation

It is recommended that the Committee:

- i. Notes the small £17,125 Revenue Budget deficit is to be funded from the Budget Reduction Reserve; and*
- ii. Notes the changes to the Capital Budget (paragraph 13 & Appendix 2).*

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.
3. For the Capital budget, because projects tend to last longer than a single financial year the report shows progress against the total scheme budget.
4. Traditionally the report has been produced on a Quarterly basis, however the timing of Committee meetings this year means that this is not practical and therefore this report is based on the position at 7 months rather than the 9 months to end of December which would be the normal third quarter.
5. 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

6. Members will be aware that the Strategic Leadership Board identified savings (with a full year impact of £1.1m) to close the budget gap and to meet the cost pressure of an award, and for the Authority to set a revised budget that was virtually balanced. (£0.008m surplus).

7. It should also be noted that based on the existing MTFP assumptions and before the 'Fair' funding review, this led to a broadly balanced budget over the MTFP period. The current report proposes no further changes to this and for the moment the MTFP remains as last approved by this Committee in September.
8. Members will note that the last report to this Committee [nominally at Quarter 2 (Month 6) but in practice at Month 4 ½ a small underspend and transfer to balances of £0.030m was forecast. This is shown in Column 7 of Appendix 1.
9. The latest position shown in Column 5 of Appendix 1 is that there will be a forecast requirement to draw £0.018m from reserves to balance the budget. This is not material and represents less than 0.04% of the budget.
10. The individual budget line information is shown in Appendix 1 which also separates the previous variations reported and explains the additional ones in this report which are explained below, dealing with the larger items first:
 - On-Call Pay. £0.547m over. This largely arises from the operationally busy summer period and was unavoidable. The Authority holds a reserve specifically for operational contingencies and could choose to draw this sum from the reserve. However, this would then require to be made good and other underspending within the budget will compensate.
 - Capital Financing Costs: ££0.450m under (plus £0.100m reported at Quarter 2). Capital expenditure taking place later than forecast, reducing the need to borrow and set aside monies to repay borrowing and continuing higher interest receipts on cash have produced short term savings.
 - There are other variations on budget which broadly net off and relevant officers will be able to provide explanations to members scrutiny as required.
11. The net overspend of £0.017m will be transferred £0.080m from the Budget Reduction Reserve.

Capital Budget

12. The approved capital budget is detailed in Appendix 2 and as usual 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).

13. There have been some changes to the budget since it was last reported to this Committee in September:

	Vehicles £m	Major Builds £m	Major Equip £m	Alloc. Minor £m	Unalloc Minor £m	Future Builds £m	TOTAL £m
P&RS Committee - Sep 2025	2.494	16.948	1.460	2.713	0.029	0.733	24.377
Omitted in Error		0.142					0.142
SLB Minor Scheme Allocs				0.002	(0.002)		0.000
Closed Schemes				(0.509)			(0.509)
P&RS Committee - Nov 2025	2.494	17.090	1.460	2.206	0.027	0.733	24.010

14. Allowing for the Schemes awaiting allocation or approval, the Budget available to be spent at the start of 2025/26 is £19.181m; of which £13.841m relates to the new Hereford Fire Station; and is summarised below:

		£m
Total Approved Budget	<i>Column 2 Line 44</i>	24.010
less: prior year spend	<i>Column 3 Line 44</i>	(4.069)
		19.941
Less: Future Buildings	<i>Column 4 Line 16</i>	(0.733)
Less: Unallocated Minor	<i>Column 4 Line 42</i>	(0.027)
Approved to Spend		19.181

15. It should be noted that the Vehicle Programme is to be amended in line with the Fleet Plan being brought before the Fire Authority in December and once approved the capital budget will be adjusted appropriately.
16. Against this budget £2.314m (12%) (*Column 5, Line 44*) has been incurred, with an additional £13.727m (72%) committed by way of orders and contracts and split as below:

	Available £m	Actual £m	£m	Orders £m		
Vehicles	2.444	0.001	0.0%	0.457	18.7%	18.7%
Hereford	13.841	2.051	14.8%	11.753	84.9%	99.7%
Other	2.896	0.261	9.0%	0.767	26.5%	35.5%
	19.181	2.314	12.1%	13.728	71.6%	83.6%

17. The revenue costs of financing the capital programme are contained within the revenue budget.

Treasury Management

18. 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.
19. 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.

20. 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.
21. 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.
22. At 31 March 2025 long-term borrowing stood at £8.488m.
23. 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.
24. 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.
25. 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.
26. Short-term investments via WCC at 31st October 2025 are shown in the table below. For completeness the current account balance is now also shown:

Money Market Funds	12.691
Cash+	2.520
Call	0.189
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via WCC	15.400
Current Account	1.267
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	15.667

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 Month 7

Appendix 2: Capital Budget Monitoring 2025/26 Month 7