

## **Report of the Treasurer**

### **Budget Monitoring 2023/24 – Quarter 2**

#### **Purpose of report**

1. To inform Members of the current position on the revenue and capital budget for 2023/24, and to give an update on Treasury Management.
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#### **Recommendation**

##### ***It is recommended that the Committee:***

- i. Confirms the revenue budget allocation adjustments;*
- ii. Notes the current projection of a £0.270m revenue underspending*
- iii. Notes the projected expenditure on “Invest to Improve” projects;*
- iv. Approves the allocation of £0.050m of the revenue underspend to the Breathing Apparatus project;*
- v. Approves the allocation of the remaining £0.220m of the revenue underspend to the Hereford Fire station project; and*
- vi. Notes the implementation of approved changes to the Capital Budget*

#### **Introduction and Background**

2. This report follows the established format and, for the Revenue budget, is an out-turn projection nominally based on first quarter information, but incorporating latest information up to mid October.
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 2023 the Fire Authority set a Core Budget of £39.397m which was subsequently amended at Policy & Resources Committee in May 2023 to £39.972m, and again at Policy & Resources Committee in September 2023 to £39.722 (*Appendix 1: Column 2, Row 37*), This is funded by Precept, Grants and Retained Business Rates of £40.099m (*Appendix 1: Column 2, Row 53*).
6. After taking account of the approved transfer to the Capital Projects and Breathing Apparatus Reserves and final use of the Taxation Income Guarantee Grant Reserve, this required a small transfer of £0.116m from the Budget Reduction Reserve. (*Appendix 1: Column 2, Row 65*). This is essentially a balanced budget.
7. As part of the routine second quarter budget review the Strategic Leadership Board (SLB) identified small projected savings of £0.086m, as outlined in Column 4 of Appendix 1.
8. In addition, there are further £0.184m of capital finance savings as a result of a pause in the programme pending the outcome of the resource review. This latter saving is a cash flow-one and the resource remains within the future MTFP.
9. It is proposed to use £0.050m of the overall £0.270m to bring the saving to funding of the Breathing Apparatus project up to the final expected cost of £1.3m.
10. It is further proposed to use the remaining £0.220m to support the Hereford Fire Station replacement project and in particular the revenue costs of a temporary fire station whilst redevelopment of the site is undertaken.
11. At this point there is only one significant variation, and this is around capital financing where spending slippage in the capital programme has led to a delay in spending and a consequential delay in capital financing costs of £0.250m.
12. Members are reminded that the April 2023 pay award for “Green Book” (support staff) remains unsettled and provision is still held for the cost of the employers’ final offer.
13. For information the Appendix also shows separately the expected expenditure on reserve funded “Invest to Improve” projects.

## Capital Budget

14. The approved capital budget detailed in Appendix 2 and is divided into five blocks:
  - Vehicles – in accordance with the approved Vehicle Strategy
  - Major Buildings – in accordance with the approved Property Strategy
  - Major Equipment
  - Minor Schemes - allocated by Strategic Leadership Board (SLB)

- Future Buildings Schemes

15. The latter is provision for Hereford Fire Station replacement, the North Herefordshire Strategic Training Facility relocation of training facilities at Wyre Forest and the approved Capital Projects Reserve to meet inflation pressures. These schemes are not disclosed separately to protect the Authority's procurement interest until contracts are fully awarded.
16. There have been a number of changes to the budget since it was last reported to the Committee in September 2023, 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
<b>Approved at Sep 2023</b>	4.356	10.028	0.000	2.853	0.597	8.807	<b>26.641</b>
Closed Schemes	0.000	(7.779)	0.000	(0.272)	0.000	0.000	<b>(8.051)</b>
Major Buildings alloc							<b>0.000</b>
Minor Schemes alloc	0.000	0.000	0.000	0.337	(0.337)	0.000	<b>0.000</b>
Reserve Funded	0.000	0.000	1.250	0.048	0.000	0.000	<b>1.298</b>
<b>Revised at Oct 2023</b>	4.356	2.249	1.250	2.966	0.260	8.807	<b>19.888</b>

17. The major reserve funded scheme is the Breathing Apparatus (at current approved provision).
18. Allowing for the Schemes awaiting allocation or approval, the Budget available to be spent at the start of 2023/24 is £6.328m and is summarised below:

		£m
Total Approved Budget	Column 2 Line 73	19.888
Less: Prior year spend	Column 3 Line 73	(4.668)
		15.220
Less: Future Buildings	Column 2 Line 71	(8.632)
Less: Unallocated Minor	Column 2 Line 69	(0.260)
<b>Approved to Spend</b>		<b>6.328</b>

19. Against this budget £1.310m or 20% (*Column 5, Line 73*) has been incurred, with an additional £2.291m (41%) committed by way of orders and contracts.
20. The revenue costs of the financing of the capital programme are contained within the revenue budget.

## Treasury Management

21. 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.
22. 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.
23. 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.
24. 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.
25. 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.
26. 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.
27. 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.
28. 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.
29. Short term investments via WCC at 30 September 2023 are shown in the table below. For completeness the current account balance is now also shown.

Money Market Funds	8.062
Cash Plus (liquidity fund)	1.569
Call	1.569
<b>via WCC</b>	<b>11.200</b>
Current Account	1.731
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	18.931

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	Yes – whole report
<b>Strategic Policy Links &amp; Core Code of Ethics</b> (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
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	n/a
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	n/a
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	n/a
<b>Data Protection Impact Assessment</b> (where personal data is processed a DPIA must be completed to ensure compliant handling)	n/a

## Supporting Information

Appendix 1: Revenue Budget Monitoring 2023/24 Quarter 2

Appendix 2: Capital Budget Monitoring 2023/24 Quarter 2