

## Report of the Treasurer

### Budget Monitoring 2023/24 – Quarter 1

#### 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 £0.250m revenue underspending*
- III. Notes the projected expenditure on “Invest to Improve” projects;*
- IV. Approves the allocation of the revenue underspend to the Breathing Apparatus project; and*
- V. 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 August.
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 & Resource Committee in May 2023 to £39.972m (*Appendix 1: Column 2, Row 37*), This was 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 Reserve 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 64*). This is essentially a balanced budget.
7. Column 3 of Appendix 1 shows the allocation for the provision of the national “grey book” pay award (the national “green book” award remaining unsettled) and Column 4 shows reallocations approved by the Strategic Leadership Board (SLB), including the allocation of the inflation provision.
8. 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.
9. It is proposed to use this saving to fund the additional cost of Breathing Apparatus replacement beyond the initial estimate of £1m already provided in reserves.
10. For information the Appendix also shows separately the expected expenditure on reserve funded “Invest to Improve” projects. As more projects get underway this estimate will increase during the year.

## **Capital Budget**

11. The approved capital budget detailed in Appendix 2 and is divided into four blocks:
  - Major Buildings – in accordance with the approved Property Strategy
  - Vehicles – in accordance with the approved Vehicle Strategy
  - Minor Schemes - allocated by Strategic Leadership Board (SLB)
  - Future Buildings Schemes
12. 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.
13. There have been a number of changes to the budget since it was last reported to the Authority in June 2023, although the changes merely reflect decisions of the Authority. These changes are summarised below:

	Vehicles	Major Builds	Major Equip	Alloc. Minor	Unalloc Minor	Future Builds	TOTAL
	£m	£m	£m	£m	£m	£m	£m
<b>Approved at June 2023</b>	3.826	8.516	0.590	2.807	0.042	12.349	28.130
New Starts	0.529	0.000	0.000	0.000	0.600	0.000	1.129
Major Schemes/Property Reserve	0.000	1.512	0.000	0.000	0.000	(3.542)	(2.030)
Minor Schemes alloc	0.000	0.000	0.000	0.045	(0.045)	0.000	0.000
Closed Schemes	0.000	0.000	(0.590)	0.000	0.000	0.000	(0.590)
<b>Revised at Sept 2023</b>	4.355	10.028	0.000	2.852	0.597	8.807	26.639

14. The Major Schemes/Property Reserve adjustment, includes the allocation of the Broadway scheme from the Future Buildings Scheme pot, the removal of the provision for Redditch (now it is a Police & Crime Commissioner project) and the addition of the approved Capital Projects Reserve.
15. Allowing for the Schemes awaiting allocation or approval, the Budget available to be spent at the start of 2023/24 is £4.974m and is summarised overleaf:

		£m
Total Approved Budget	Column 2 Line 76	26.640
Less: Future Buildings	Column 2 Line 75	(8.807)
Less: Unallocated Minor	Column 2 Line 72	(0.597)
<b>Approved to Spend</b>		<b>17.236</b>
Incurred to 2022/23	Column 3 Line 76	(12.262)
<b>Balance</b>		<b>4.974</b>

16. Against this budget £0.763m or 15% (Column 5, Line 76) has been incurred.
17. The revenue costs of the financing of 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. 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 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.
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 31-Jul-2023 are shown in the table below. For completeness the current account balance is now also shown.

Money Market Funds	3.025
Cash Plus (liquidity fund)	0.587
Call	0.588
<b>via WCC</b>	<b>4.200</b>
Current Account	4.200
	<u>8.400</u>

### 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 1

Appendix 2: Capital Budget Monitoring 2023/24 Quarter 1