

## Report of the Treasurer

### Budget Monitoring 2021/22 – Quarter 1

#### 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 Committee*

- *Approves the revised Core Revenue Budget at £35.276m and the allocations in Appendix 1 Column 6*
- *Notes the Revenue overspend of £0.266m relating to pay awards*
- *Notes the potential for further capital financing under-spending*

#### 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 2021 the Fire Authority set a Core Budget of £35.056m (*Appendix 1: Column 1, Row 36*), which was funded by Precept, Grants and Retained Business Rates of £35.187m (*Appendix 1: Column 1, Row 41*). Which, in line with the approved Medium Term Financial Plan (MTFP) allowed a small planned transfer to reserves of £0.131m (*Appendix 1: Column 1, Row 59*).
6. Since the date of the Authority meeting more clarity has emerged over the Retained Business Rate estimates and as a result of this Column 2 of the Appendix, shows that this results in a net reduction in the transfer to reserves of £0.121m.

7. The appendix (*Column 3*) shows proposed re-allocations of Running Cost budgets including allocation of the inflation provision and also (*Column 4*) the planned release of part of the Property reserve to fund building works across the Authority estate.
8. In accordance with government policy on pay awards, the Authority made no provision for pay awards in 2021/22 other than that proposed by the Chancellor for lower paid staff, and the full year effect of the Fire-fighters' July 2020 award. These provision are reallocated in Appendix 1 (*Column 5*)
9. As a consequence of these changes the Core Budget is now £35.276m (*Appendix 1: Column 6, Row 36*), funded by Precept, Grants and Retained Business Rates of £35.065m (*Appendix 1: Column 1, Row 41*). Which requires a net transfer from to reserves of £0.211m (*Appendix 1: Column 6, Row 59*).
10. Column 7 of Appendix 1 shows the current out-turn projection against these revised budgets, and shows two areas of variation:
  - a. **+£0.266m** relating to pay awards. As mentioned at paragraph 8 above, there is no budgetary provision for pay awards in the Core Budget – *other than the full year cost of the July 2020 award and for the Chancellor's statement about low paid staff*. However, both Grey Book (uniformed) and Green Book (non-uniformed) staff groups have been offered awards around 1.5% through nationally conducted negotiations. The estimated impact of a 1.5% award is shown, and will be updated as and when settlement is reached. As stated at the February Fire Authority meeting, sufficient reserves are held to meet this cost in the short term (i.e., this year) but will have an impact on the future MTFP. (this will be reported in more detail to a future Fire Authority meeting).
  - b. **-£0.080m** relating to Capital Financing. Members may recall that the 2020/21 Provisional Financial Out-turn report identified that capital financing arrangements in 2020/21 would generate an on-going saving. The Chief Fire Officer will bring future proposals to invest this to improve appliance availability.

## Capital Budget

11. The current capital budget, as approved by the Fire Authority in June 21 is detailed in Appendix 2 and summarised below.

	Vehicle Prog	Major Build	Other Major	Alloc Minor	Unalloc Minor	Future Builds	TOTAL
	£m	£m	£m	£m	£m	£m	£m
<b>Approved at June 2021</b>	2.653	7.642	0.590	2.720	0.083	13.223	<b>26.911</b>
Minor Schemes Review	0.022			(0.120)	0.098		<b>0.000</b>
2021/22 New Schemes	0.058				0.600		<b>0.658</b>
Closed Schemes	(0.018)			(0.637)			<b>(0.655)</b>
Major Buildings Alloc		0.274				(0.274)	<b>0.000</b>
Minor Schemes Allocation				0.569	(0.569)		<b>0.000</b>
<b>Approved at Sept 2021</b>	<b>2.715</b>	<b>7.916</b>	<b>0.590</b>	<b>2.532</b>	<b>0.212</b>	<b>12.949</b>	<b>26.914</b>
Less Expd. to 2020/21	0.423	7.219	0.318	0.734			<b>8.694</b>
Unspent Budget C/fwd.	<b>2.292</b>	<b>0.697</b>	<b>0.272</b>	<b>1.798</b>	<b>0.212</b>	<b>12.949</b>	<b>18.220</b>

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 54*) 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 £3.451m and is summarised below:
- |                          |                         | £m            |
|--------------------------|-------------------------|---------------|
| Total Approved Budget    | <i>Column 2 Line 56</i> | 26.914        |
| Less: Future Buildings   | <i>Column 2 Line 55</i> | (12.949)      |
| Less: Unallocated Minor  | <i>Column 2 Line 52</i> | (0.212)       |
| <b>Approved to Spend</b> |                         | <b>13.753</b> |
| Incurred to 2020/21      | <i>Column 3 Line 53</i> | (8.694)       |
| <b>Balance</b>           |                         | <b>4.847</b>  |
15. Against this budget only £0.831m (*Column 5, Row 56*) has been incurred. A significant number of minor building schemes approved for 2020/21 have yet to incur expenditure. The managed wind down of our previous property services arrangement via Place Partnership Ltd (PPL) delayed the start of these schemes. Having entered into a new arrangement with the PCC, there has been an appropriate review period before these works can commence.
16. The revenue costs of the financing of the capital programme are contained within the revenue budget and it is likely that further slippage against the expected cashflow will result in potential further underspending in the revenue budget, which will be reviewed at Quarter 2.

## 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 31<sup>st</sup> March 2021 long term borrowing stood at £12.137m, with £1.726m scheduled to be repaid this year, leaving an expected £10.411m at 31<sup>st</sup> March 2022.
20. It is unlikely that additional borrowing will be required this year (see paragraph 18 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 30-Jun-2021 short term investment via WCC comprised:

Other Local Authorities	1.898
Debt Management Account Deposit Facility (MADF)	4.132
Money Market Funds	2.375
Call (instant access)	0.380
Cash Plus (liquidity fund)	1.215
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	<b>10.000</b>

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	Whole Report
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	None
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	None
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

## Supporting Information

Appendix 1 Revenue Budget Monitoring 2021/22 Quarter 1

Appendix 2 Capital Budget Monitoring 2021/22 Quarter 1