

Report of the Treasurer

Budget Monitoring 2023/24 – Quarter 3

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 small £0.027m revenue over-spend;*
- iii. Notes the projected expenditure on “Invest to Improve” projects;*
- iv. Notes the implementation of changes to the Capital Budget approved by the Fire Authority.*

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 by the Policy and Resources Committee as below:

	£m
Fire Authority - Feb 2023	39.397
	<u>0.575</u>
P&R Committee - May 2023	39.972
	<u>(0.250)</u>
P&R Committee - Sep 2023	39.722
	<u>(0.270)</u>
P&R Committee - Nov 2023	39.452

6. This is shown in Appendix 1 (*Column 5, Row 34*), and is funded by Precept, Grants and Retained Business Rates of £40.099m (*Column 5, Row 50*). After use of the Taxation Income Guarantee Grant Reserve this allows planned transfers to the Capital Projects and Breathing Apparatus Replacement Reserves.
7. Following the third quarter budget review the Strategic Leadership Board (SLB) identified forecast variations as shown in column 7 of the Appendix.
8. The key variations are:
 - a. a small net overspend on employee related costs £0.221m (0.8% of budget).
 - b. A net overspend of £0.299m on Running Cost budgets, of which £0.094m is funded by a transfer from the Development Reserve, leaving a net figure of £0.205m (2.1% of budget). Key components of this are:
 - i. Probable inability to capitalise PCC property charges relating to building projects due to lack of robust information (£0.098m). This may change.
 - ii. Cost associated with prevention works at a major fire risk site (£0.35m)
 - c. A further underspend on Capital financing cost as interest receivable continues to be substantially higher than budgeted (£0.399m).
9. The net impact is a small overspend of £0.027m. Given the small size and the imminence of year end, it is proposed not to make specific decisions about how to fund what will inevitably be a different figure at out-turn.
10. For information the Appendix also shows separately the expected expenditure on reserve funded "Invest to Improve" and other projects totalling £3.126m.

Capital Budget

11. The approved capital budget is 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

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. At the Fire Authority meeting in Feb 2024 a number of changes to the Capital Budget were approved and these are summarised below:

	Vehicles £m	Major Builds £m	Major Equip £m	Alloc. Minor £m	Unalloc Minor £m	Future Builds £m	TOTAL £m
P&R - Nov 2023	4.356	2.249	1.250	2.966	0.260	8.807	19.888
Omitted in error	1.747						1.747
FA - Feb 2024	(1.041)		0.050	(0.054)	0.054		(0.991)
Major Builds		0.174				(0.174)	0.000
Revised at Oct 2023	5.062	2.423	1.300	2.912	0.314	8.633	20.644

14. The replacement pumps for 2023-24, although approved by the Fire Authority were omitted in error from the monitoring reports at Quarters 1 and 2.
15. Allowing for the Schemes awaiting allocation or approval, the Budget available to be spent at the start of 2023/24 is £7.030m and is summarised overleaf:

		£m
Total Approved Budget	<i>Column 4 Line 75</i>	20.644
less: prior year spend	<i>Column 5 Line 75</i>	(4.668)
		<u>15.976</u>
Less: Future Buildings	<i>Column 4 Line 73</i>	(8.632)
Less: Unallocated Minor	<i>Column 4 Line 71</i>	(0.314)
Approved to Spend		7.030

16. Against this budget £2.977m or 42% (*Column 7, Line 75*) has been incurred, with an additional £1.562m (22%) committed by way of orders and contracts.
17. The revenue costs of the financing of the capital programme are contained within the revenue budget.
18. As previously reported, it is possible that there may be further capital financing underspending as a result of further programme slippage. It will be suggested that this is used to partially revenue fund approved building projects, to free up previously allocated reserve funding to assist with cost pressures on the future build programme. More details will be provided in the provisional financial out-turn report later in the year.

Treasury Management

19. 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.
20. 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.
21. 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.
22. 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.
23. At 31 March 2023 long term borrowing stood at £9.046m, with £0.211m to be repaid this year as scheduled, leaving an expected £8.835m at 31 March 2024.
24. 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.
25. 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.
26. 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.
27. Short term investments via WCC at 30-Dec-2023 were as shown in the table below. For completeness the current account balance is now also shown.

Money Market Funds	5.354
Cash Plus (liquidity fund)	1.423
Call	1.426
via WCC	8.200
Current Account	1.333
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	9.533

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
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 2023/24 Quarter 3

Appendix 2: Capital Budget Monitoring 2023/24 Quarter 3