

Report to	North Wales Fire and Rescue Authority
Date	15 July 2024
Lead Officer	Dafydd Edwards, Treasurer to the Authority
Contact Officer	Helen Howard, Head of Finance and Procurement
Subject	Statement of Accounts 2023/24



PURPOSE OF REPORT

- 1 The purpose of this report is to confirm the year-end outturn position for 2023/24 and to present the unaudited Statement of Accounts for 2023/24 (attached as Appendix A). Members are also asked to note the timetable for the audit of the statement of accounts.
- 2 The report provides confirmation on other financial matters relating to 2023/24, including North Wales Fire and Rescue Authority's (the Authority) position for usable reserves, write-offs of bad debts and the full year prudential indicators.

EXECUTIVE SUMMARY

- 3 The net budget requirement of £44.394m was approved on 16 January 2023, when the Authority also approved non-recurring measures to address the underlying deficit, which included deferring expenditure and utilising reserves.
- 4 Actual expenditure for 2023/24 was £44.300m which includes costs relating to various projects, national pay settlements above the budget provision, and general inflationary pressures. The use of earmarked reserves, the general fund, and provisions have mitigated the additional costs.
- 5 The 2023/24 capital budget of £6.532m included £3.00m for the purchase of land relating to the proposed training centre, which is now anticipated to complete during 2024/25. The capital programme experienced cost pressures, therefore schemes were prioritised, in order to remain within the funding available. Year end expenditure was £2.182m with a requirement to roll over funding of £3.951m.

RECOMMENDATIONS

- 6 Members are asked to:
- i) note the unaudited revenue and capital outturn position for the 2023/24 financial year, including the earmarked reserves set out in the report;
 - ii) note the unaudited 31/03/2024 balance sheet position;
 - iii) receive and note the draft Statement of Accounts for 2023/24 contained within Appendix A;
 - iv) note the prudential indicators as at quarter four of 2023/24; and
 - v) note the write offs approved by the Treasurer, in accordance with the financial regulations.

OBSERVATIONS FROM AUDIT COMMITTEE

- 7 The Audit Committee received a verbal update on the production of the statement of accounts at its meeting of the 17 June 2024. Bad debts written-off have been subject to scrutiny through the Budget Scrutiny Working Group.

NATIONAL REGULATORY BACKGROUND

- 8 The Accounts and Audit (Wales) Regulations 2014 require the Authority to prepare and publish a statement of accounts on an annual basis. The pre-Covid timescales prescribed within the Regulations require a draft statement of accounts to be issued by 31 May, with an audit deadline of 31 July each year.
- 9 The Welsh Government, following consultation with the Society of Welsh Treasurers and Audit Wales, confirmed that the draft statement of accounts for 2023/24 should be prepared no later than 30 June 2024, and that the statement of accounts should be audited by the 30 November 2024.

THE AUTHORITY'S APPROACH

- 10 Finance officers have voluntarily endeavoured to adhere to the original accounts closure timescales prescribed within the 2014 Regulations, as early closure allows them to subsequently focus on other management accounting duties which add more value.
- 11 The Authority's unaudited outturn position, for both revenue and capital expenditure, was finalised and the draft Statement of Accounts for 2023/24 was signed by the Treasurer and submitted to Audit Wales on 31 May. The draft Statement of Accounts is attached as Appendix A, for information.

REVENUE BUDGET

- 12 Each year the Authority is required to set a balanced revenue budget which must be approved by a full Authority meeting. The final budget for 2023/24 was approved by the Authority at its meeting of the 16 January 2023. This confirmed a net revenue budget requirement of £44.394m to be funded by the constituent local authorities. This included changes to the funding flow of £1.08m of Welsh Government support for firefighters' pensions. Previously this had been directly funded to the Authority, but for 2023/24 this grant was 'passport'ed to FRAs via constituent local authorities' final RSG settlement.
- 13 The final position for 2023/24 was an underspend of £0.094m, including transfers to and from reserves.
- 14 The main expenditure headings and draft outturn position are set out below:

2023/24	Budget (£000)	Outturn (£000)	Use of Reserves (£000)	CERA Cont'ns (£000)	Final Outturn (£000)	Variance (£000)	Variance (%)
Employees	31,902	31,369			31,369	(533)	-2%
Premises	3,616	3,297			3,297	(319)	-9%
Transport	1,273	1,390			1,390	117	9%
Supplies	5,453	5,392	833		6,226	773	14%
Third Party Payments	342	319			319	(23)	-7%
Capital							
Finance & Charges	3,129	2,165	(130)	1,101	3,136	7	0%
Income	(1,321)	(1,437)			(1,437)	(116)	9%
Outturn	44,394	42,496	704	1,101	44,300	(94)	-0.2%

EMPLOYEE COSTS

- 15 Employee costs form a significant element of the budget (72%) and include pay, pension costs, cost of recruitment and training and employee services, such as occupational health services. As part of the final budget approval in January 2023 a range of measures were approved by Members to contain staff expenditure. These are not recurring in nature and included measures such as delaying recruitment to the approved structure and limiting the anticipated increase in recruitment to retained stations.

- 16 The out-turn position for employee costs is an underspend of £0.533m and the table below provides the analysis thereof. This includes a refund of £0.503m from Clwyd Pension Fund in respect of employer contributions following the actuarial revaluation.

Employee Costs	£000
Pay award above budget	730
In-year vacancy savings	-1290
Additional hours to cover operational duties	863
Other employee costs	-323
Projected pension costs	-513
Projected Underspend	-533

- 17 The higher than anticipated pay award has been partially mitigated through in-year vacancy savings, although it has been necessary to use overtime and additional hours to maintain operational capacity.
- 18 Action continues to be taken to increase the number of retained duty firefighters to address and maintain availability issues, mindful of the budget constraints. A process will take place in the first half of 2024/25 for wholetime firefighter recruitment, to replace staff that have retired throughout the year and are due to retire in 2024/25.

NON-PAY COSTS

- 19 The non-pay budget experienced significant pressures, with an overspend of £0.548m. This included fuel costs and the availability and costs of other commodities such as building supplies, ICT equipment and fleet parts are also of concern, given the complexity of supply chains and global uncertainty.
- 20 Since the last report a number of departments, including Facilities, ICT and Operations, have reported that goods and services expected to be delivered/completed in 2023/24 have been delayed. This has therefore reduced the outturn position for this year, but will put pressure on the 2024/25 budget.

Premises

- 21 Premises costs were projected to be overspent by £0.370m, however the final position was an underspend of £0.319m. This underspend is largely due to a reduction in gas and electricity costs in the last quarter of the financial year, and building maintenance works not being completed as anticipated. The Authority has benefited from a reduction in national non-domestic rates following successful rating appeals.

Transport

- 22 The transport budget was overspent by £0.117m compared to the predicted overspend of £0.357m. This was mainly due to a reduction in the spend on fuel (oil, diesel and petrol), the availability of vehicle parts and the completion of repairs, as well as a year-end technical accounting adjustment for the fleet stock.

Supplies

- 23 The net supplies budget is £5.453m with a year-end overspend of £0.773m (overspend from last report: £1.141m). This area of expenditure includes business-critical areas, such as operational equipment and PPE purchase, essential ICT licences, the Firelink contract, and insurances.
- 24 Significant inflationary pressures have been experienced in a number of business-critical areas and action has been taken to contain and mitigate these, where possible.
- 25 One of the largest elements of expenditure relates to the national Firelink contract. This is the emergency service contract which enables mobilisation to incidents, communication and interoperability between emergency partners. Legal proceedings are currently ongoing in relation to this contract. Motorola who are in contract with the Home Office to provide this Service have appealed a decision by the Competition and Market Authority to impose a price cap in July 2023. In 2023/24, as a result of the price cap, there was a reduction in costs of £0.262m, however as the Court of Appeals decision is not known, this amount has been set aside in earmarked reserves, in the event that this has to be refunded.
- 26 Significant expenditure has also been incurred in the purchase of additional fire kit, due to the contaminants review, totalling £0.474m. Ongoing discussions have been taking place, across Wales, with the supplier of the fire kit, due to the delays being experienced with delivery. The supplier has now acknowledged that the majority of the fire kit will not be delivered until 2024/25, therefore the £0.447m has been ringfenced in an earmarked reserve at year end to fund these costs in 2024/25.

Third Party Payments

- 27 Third party payments relate to service level agreements with partners, including Conwy County Borough Council, Flintshire County Council, Carmarthenshire County Council, South Wales Fire and Rescue Service and North Wales Police. The agreements include the provision of legal services, monitoring officer services, pension administration and support, and facilities management. At year end there was an underspend of £0.023m.

Capital Financing

- 28 The capital financing budget sets aside revenue funding to finance capital expenditure, and includes the minimum revenue provision and interest costs on borrowing
- 29 Due to the volatile economic position, the cost of borrowing has continued to increase. However, it has not been necessary to take out further borrowing, as capital expenditure to date has been significantly slower than anticipated.
- 30 Year end expenditure was £3.136m, compared to a budget of £3.129m.

INCOME

- 31 As well as the levy from constituent local authorities, the budget also includes expected income from fees and charges, and grants. Fees and charges largely relate to the recharges for buildings shared with other bodies and training fees for apprenticeships.
- 32 Other income has increased due to an increase in recharges to other bodies and the disposal of vehicles and equipment, where the receipt was less than £10k and therefore could be treated as a revenue receipt.

Grant Funding

- 33 The total of 2023/24 Welsh Government grant funding allocations is £0.891m, which is analysed below. All grants are carefully monitored throughout the financial year, to identify any variances and to enable remedial action to be taken.

Grant	Allocation £'000
Arson Reduction	169
Home Safety Equipment	240
All Wales National Resilience	322
Youth & Young People Engagement	141
Operation Ugain	14
Cyber Essentials	5
TOTAL	891

CAPITAL PROGRAMME

- 34 The capital budget requirement was assessed as £6.532m and approved by the Authority at the meeting of 16 January 2023. Since that time, slippage in the 2023/24 programme has resulted in schemes of £3.951m being carried forward into 2024/25, including the purchase of the land for the proposed training centre.

- 35 Due to ongoing delays, building projects agreed in 2023/24 have not been completed, with works totalling £0.612m due to be completed within the first quarter of 2024/25.
- 36 As was the case with the revenue budget, the capital programme experienced cost pressures, with increased costs in relation to the purchase of vehicles and building works. This was managed by prioritising the delivery of operationally critical projects.
- 37 Rollover of funding of £3.951m is required, as detailed below, due to delays in the completion of building works and the purchase of land. Five fire appliances are on order; however, stage payments are expected to extend into 2024/25, due to delays in the availability of build slots with the supplier.
- 38 Details of the schemes are below:

Scheme	Revised Allocation £000	Actual Spend £000	Rollover £000
Fire appliances	475	475	960
Multi- purpose vans	189	268	-
Electric Van pilot	-	107	-
Welfare Units	150	150	-
National Resilience Vehicles	-	71	-
Command & Control refresh	600	-	-
Minor Building works	100	52	48
Training Towers	250	-	-
Fleet - fall arrest system and roof works	126	-	134
Appliance bay doors	180	165	19
Llandudno Heating upgrade	150	-	150
Dolgellau Smokehouse works	365	256	-
Proposed training centre land	3,000	-	2,630
Unallocated	947	-	-
Total : Capital Plan	6,532	1,544	3,941
Rollover 2022/23			
Training Towers	307	318	10
Multipurpose station vans	160	162	-
Buildings - Minor works	158	158	-
Total: Rollover	625	638	10
Total	7,157	2,182	3,951

BORROWING

- 39 Capital expenditure is largely funded via external borrowing, but in the short term the Authority utilises surplus revenue cash, known as 'internal borrowing' and where available, usable reserves.

- 40 The Authority continues to utilise internal borrowing. This means that the capital borrowing needed, as calculated by the Capital Financing Requirement (CFR), has not been fully funded with external loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary expedient to fund capital spend and generate revenue savings. However, as reserves are utilised, it will be necessary to replace the internal borrowing with external borrowing.
- 41 No new external borrowing has been required in 2023/24. The interest paid, during the year, on current loans, amounted to £0.692m.

USE OF THE GENERAL FUND AND EARMARKED RESERVES

- 42 The aim of the Authority's financial reserves is to provide funding for investment in future activities, and to act as a safety net in case of short-term financial challenges arising from activity demands, or unforeseen pressures. As at 31 March 2024, the total usable reserves amounted to £8.620m

	Balance 31 March 2023 £'000	Transfers (in/)/out 2023/24 £'000	Balance 31 March 2024 £'000
Earmarked Reserves	(6,222)	(703)	(6,925)
General Fund	(1,480)	(94)	(1,574)
Capital Grants Unapplied	(85)	37	(48)
Capital Receipts Reserve	(34)	(39)	(73)
Total Usable Reserves	(7,821)	(799)	(8,620)

- 43 No new earmarked reserves have been set up in 2023/24.
- 44 In 2023/24, there has been a requirement to increase reserves. As noted above, an increase in earmarked reserves of £0.708m has been included in relation to the PPE kit and the Airwave contract. All movements on the earmarked reserves are detailed below.

	Balance 31 March 2023 £'000	Transfers (in/)/out 2023/24 £'000	Balance 31 March 2024 £'000
Service Reserves			
Pension Reserve	(545)	0	(545)
Capital Financing Reserve	(300)	0	(300)
Fire Hydrant Repairs	(90)	0	(90)
PPE Uniform / Stock	(250)	(447)	(697)
Transformational Change	(851)	0	(851)
Facilities Improvement	(651)	0	(651)
Legal Liability	(186)	(124)	(310)
Training	(250)	0	(250)
Major Incidents	(150)	0	(150)
System Improvements	(711)	0	(711)
Inflation	(250)	0	(250)
Capital & Grant Reserves			
Capital projects	(1,043)	129	(914)
Radio Scheme	(750)	(261)	(1,011)
Fire Safety Grant Reduction	(195)	0	(195)
Total Earmarked Reserves	(6,222)	(703)	(6,925)

PRUDENTIAL INDICATORS – 2023/24

- 45 The Authority measures and manages its capital expenditure and borrowing with references to the following indicators. It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis. The Indicators are calculated based on the information in the 2023/24 Capital Strategy, that was approved by the Authority at its meeting on 24 March 2023.

Capital Expenditure

- 46 The Authority has undertaken and is planning capital expenditure as summarised below:

	2022/23 actual £m	2023/24 actual £m	2024/25 budget £m	2025/26 budget £m
General Fund services	3.366	2.182	5.887	6.424
Proposed Training Centre	0	0.000	2.630	0.000
Total	3.366	2.182	8.517	6.424

- 47 Further details of the General Fund capital projects to date are detailed within the Capital Programme section of this report, above.

Capital Financing Requirement

- 48 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

	31.03.23 actual £m	2023/24 actual £m	2024/25* forecast £m	2025/26* forecast £m
General Fund Services	28.877	27.949	32.215	38.666

*The table above does not include the costs for the proposed training centre building.

Gross Debt and the Capital Financing Requirement

- 49 Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.03.23 actual	31.03.24 actual	2024/25 budget	2025/26 budget
Debt (incl. Finance Leases)	26.650	17.780	24.493	28.508
Capital Financing Requirement	28.877	27.949	32.215	38.666

Debt and the Authorised Limit and Operational Boundary

- 50 The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	Maximum debt Q2 2023/24 £m	Debt at 31.03.24 £m	2023/24 Authorised Limit £m	2023/24 Operational Boundary £m	Complied Yes/No
Borrowing	26.650	17.780	30.999	28.990	Yes

- 51 Since the operational boundary is a management tool for in-year monitoring, it is not significant if the boundary is breached on occasions due to variations in cash flow, and this would not be counted as a compliance failure. However, 2023/24 borrowing remained within the operational boundary.

Proportion of Financing Costs to Net Revenue Stream

- 52 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from the levy and general government grants.

	2022/23 Actual £m	2023/24 actual £m	2024/25 budget £m	2025/26 budget £m
Financing costs (£m)	2.351	2.605	3.189	3.968
Proportion of net revenue stream	5.96%	5.87%	6.60%	7.53%

Treasury Management Indicators

- 53 These indicators are within the Treasury Management Report Q4 2023/24, which is reported to the Audit Committee.

BALANCE SHEET

- 54 The Balance Sheet provides further information on the Authority's long-term financial position and includes both assets and liabilities.

FIXED ASSETS AND BORROWING

- 55 Fixed assets relate to items with a cost in excess of £10,000 which are expected to be used over a period exceeding 12 months. The Authority's fixed assets include land and buildings, vehicles, operational equipment and ICT equipment. The estimated value as at 31 March 2024 is £57.184m (2022/23: £57.062m).
- 56 Station buildings were revalued at 31 March 2024. This resulted in a net decrease in value of £0.589m. The Authority's land and buildings account for 82% of total assets with a net book value of £45.797m as at 31st March 2024.

- 57 The Authority is permitted to enter into borrowing arrangements to fund the purchase of fixed assets. At as 31 March 2024 the value of borrowing, excluding interest was £17.78m (2022/23: £26.46m).

CURRENT ASSETS AND CURRENT LIABILITIES

- 58 The Authority must maintain adequate resources to ensure that it is able to meet its obligations. This is achieved through the management of cash alongside debtor and creditor balances. As at the balance sheet date the Authority recorded a balance of £4.25m (2022/23: £9.22m) relating to cash and debtors. This is offset by £5.95m (2022/23: £4.29m) relating to amounts owed by the Authority to creditors.
- 59 The cash balance, at year end was £2.97m. £2.32m of this balance relates to the Pension Top Up grant provided by the Welsh Government in 2023/24, which has not been utilised, due to the number of firefighter retirements being lower than anticipated.

PENSION LIABILITIES

- 60 The Authority is required to account for the estimated liabilities relating to its pension schemes. The Authority has two schemes; the Firefighters' Pension Scheme and the Local Government Pension Scheme. The value of future liabilities is calculated by the actuary for each scheme and estimated to be £230.37m as at 31 March 2024 (2022/23: £227.14m). This valuation includes the actuarial assessment of the costs of national legal challenges including the McCloud judgment relating to age discrimination in public sector pension schemes and the O'Brien judgment relating to discrimination of part time workers.

BAD DEBT WRITE OFFS

- 61 During the year, in line with the Financial Regulations, 18 bad debts totalling £1,492.34 were approved by the Treasurer, for write off, due to being uneconomical to pursue.

IMPLICATIONS

Well-being Objectives	This report links to the Authority's long-term well-being objectives. Funding for the Service benefits the communities of North Wales and ensures there is sufficient investment in infrastructure to enable the service to provide emergency responses and prevention work well in to the future.
Budget	Budget is set annually in accordance with the proposed service delivery which includes emergency response and prevention work.
Legal	It is a legal requirement that the Authority produces the Statement of Accounts in accordance with the prescribed standards.
Staffing	Effective financial management supports the long-term workforce strategy to ensure that the Authority is able to discharge its responsibilities
Equalities/Human Rights/Welsh Language	None
Risks	Income and expenditure are closely monitored to ensure that deviations from the approved budget are properly identified and reported to Members.