

Report to	North Wales Fire and Rescue Authority
Date	21 October 2024
Lead Officer	Helen MacArthur Assistant Chief Fire Officer
Contact Officer	Elgan Roberts, Head of Finance and Procurement
Subject	The Authority's 2024/25 Budget Review



PURPOSE OF REPORT

- 1 To provide members with an update on the revenue and capital expenditure forecast for 2024/25, as at 30 September 2024.

EXECUTIVE SUMMARY

- 2 The net budget requirement was approved by the Fire and Rescue Authority (the Authority) at its meeting on 22 January 2024. This confirmed a net requirement of £48.322m to be funded by the constituent local authorities. In order to cap the budget requirement at £48.322m, the Fire and Rescue Authority approved some non-recurring measures, including the use of reserves.
- 3 Actual expenditure is now forecast to be £47.695m, which includes costs relating to various projects and national pay settlements.
- 4 The Authority approved the 2024/25 capital budget of £5.676m, on 22 January 2024. In addition, there is rollover funding of £1.110m from prior years. The capital programme is experiencing slippage on schemes and it is anticipated that expenditure will be £4.403m and a requirement to rollover funding of £1.379m.

RECOMMENDATIONS

- 5 Members are asked to:
 - (I) note the projected revenue underspend and the projected capital slippage for the 2024/25 financial year, as detailed within the report; and
 - (II) note the risks associated with inflation, supply chain issues, and the legal challenge, where the nature of figures forecasted in this report are prudent.

OBSERVATIONS FROM EXECUTIVE PANEL/AUDIT COMMITTEE

- 6 This report has not previously been considered by members.

BACKGROUND

- 7 Each year the Authority is required to set a balanced revenue budget which must be approved by the full Authority. The final budget for 2024/25 was approved by the Fire and Rescue Authority at its meeting of the 22 January 2024. This confirmed a net revenue budget requirement of £48.322m to be funded by the constituent local authorities.
- 8 When setting the budget, Members also approved a range of non-recurring measures necessary to achieve financial balance within 2024/25 which included utilising reserves.
- 9 The capital plan of £5.676m was presented to the budget Scrutiny working group and approved by the Fire and Rescue Authority at its meeting of the 22 January 2024. The Capital Strategy for the period April 2024 to March 2034 was approved at Audit Committee in in March 2024 and ratified by the Fire and Rescue Authority at its meeting of the 15 April 2024.
- 10 This budget monitoring report provides information on the draft revenue and capital expenditure outturn position for the 2024/25 financial year.

INFORMATION

REVENUE BUDGET

- 11 **Pay:** Employee costs represent over 70% of gross expenditure. The 2024/25 staffing budget is £35.430m and includes measures taken when setting the budget to contain expenditure within the figure approved. However, it was also noted at that time that the national pay negotiations for all staff were still ongoing.
- 12 The budget setting process included an assumption that pay awards for 2024/25 would be 4% for all staff. The outcome of the April 2024 pay award for local government staff remains outstanding.
- 13 The firefighters' pay award was settled in May 2024 and confirmed that 4% had been accepted for from 1 July 2024 onwards. Detailed changes to the RDS retainer fee structure are to be implemented from 1 January 2025.

- 14 **Non-pay:** The non-pay forecasts account for known costs and any reductions in expenditure. However, uncertainty persists due to the general economic outlook, potential inflationary pressures, and supply chain challenges arising from global circumstances.
- 15 **Income:** Whilst the majority of expenditure is funded from the constituent authority levy, income is received from the Welsh Government for grant funded activities, as well as recharges from other bodies in relation to the use of our premises. In addition, the Authority has benefitted from additional income from secondments and a one-off grant from the Welsh Government to support education around the 20 mile per hour speed restrictions in Wales.
- 16 **Revenue cost of capital:** Capital financing costs include the costs of borrowing and revenue charges for using capital assets. It is anticipated that this budget will be underspent due to the delays in completing capital projects.

REVENUE OUTTURN FORECAST FOR 2024/25

- 17 At this stage within the financial year there are a number of uncertainties and risks that may impact on the financial performance of the Authority. It is anticipated that the outturn may range from break-even through to an underspend of £1.1m before transfers to earmarked reserves. However, based on year to date expenditure, the most likely full year revenue forecast as at 30 September 2024 is set out below and indicates an underspend of £0.628m.

	Budget (£m)	Forecast (£m)	Variance (£m)	Variance (%)
Employees	35.430	34.227	(1.203)	-3.40%
Premises	3.530	3.330	(0.200)	-5.66%
Transport	1.284	1.254	(0.030)	-2.36%
Supplies	6.597	6.584	(0.013)	-0.19%
Third Party Payments	0.363	0.363	0.000	0.00%
Capital Finance & Charges	2.989	2.989	0.000	0.00%
Income	(0.946)	(1.052)	(0.106)	11.17%
Use of Reserves	(0.924)	0.000	0.924	-100.00%
Forecast Outturn	48.322	47.695	(0.628)	-1.30%

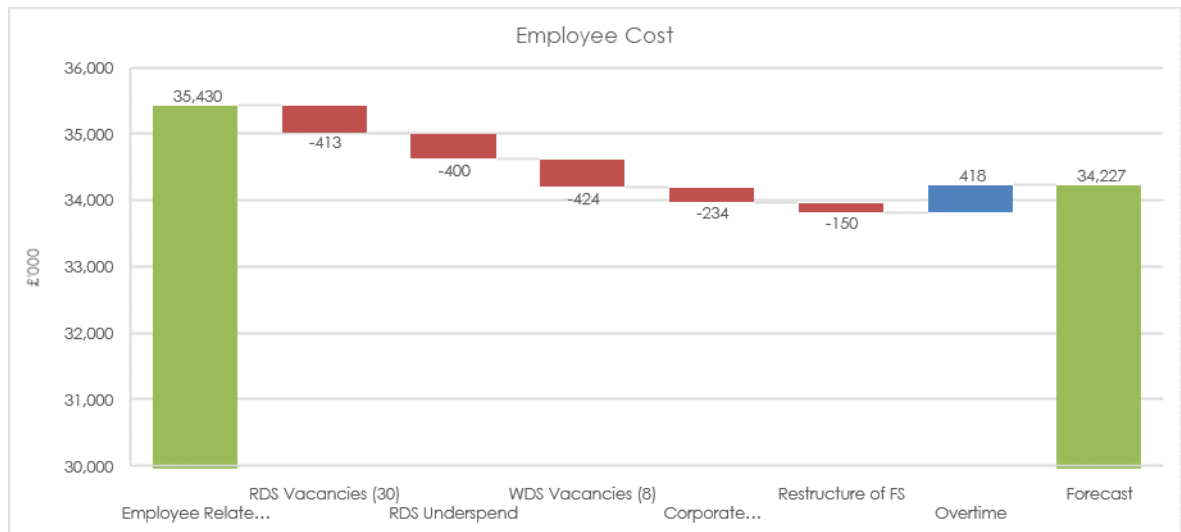
- 18 There is uncertainty regarding Firelink costs, due to an ongoing national legal challenge. If the legal challenge is found in favour of the sector, the in-year costs will reduce by £0.500m. Further uncertainty exists in relation to the need for additional borrowing and the refinancing of loans in late 2024 to early 2025, as well as the option to increase reserves for future expenditure.

EMPLOYEE COSTS

- 19 Employee costs form a significant element of the budget (over 70% of gross costs) and include pay, pension costs, cost of recruitment and training, and employee services, such as occupational health services.
- 20 Action continues to be taken to increase the number of retained duty (RDS) firefighters to address and maintain availability issues. At the time of budget setting for 2024/25 there were 474 RDS personnel and a further provision was made to increase the RDS capacity by an additional 30 at a cost of £0.413m. This reflected the improvements made in recent years to increase the retained capacity and provide much needed cover. However, as can be seen from the table below this has remained a significant challenge with actual numbers dipping below the original budget in the early stages of the financial year. During September 2024, following successful recruitment, the numbers have increased, but a significant budget underspend is being experienced.

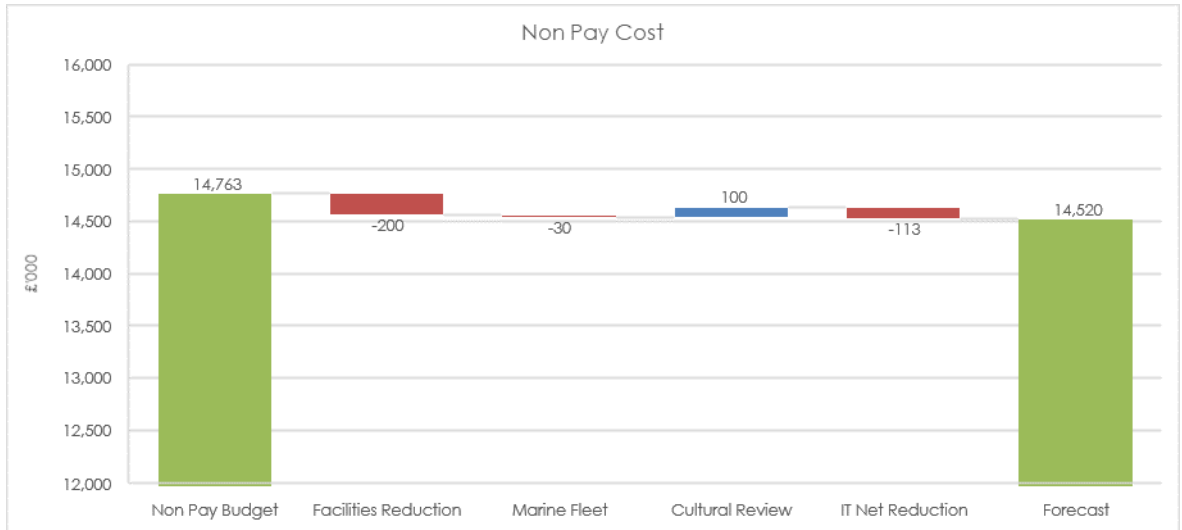
RDS analysis	Budget 2024/25	Apr-24	Jul-24	Sep-24
Headcount	474	459	465	487
100% equivalent	378	365	367	385

- 21 The budget underspend in the RDS staff budget reflects the recruitment and retention difficulties and variances in the variable pay, including drill fees, training allowances and activity.
- 22 Within the staff group relating to wholetime operational staff, there have been a higher than expected number of retirements, leading to vacancies within the operational workforce. Recruitment measures have been taken to address this shortfall, although an underspend is anticipated. However, due to the need to maintain operational capacity and deliver training it has been necessary to utilise overtime.
- 23 The difficulty in recruiting to specialised posts within the corporate departments has continued during 2024/25 with a full year underspend anticipated.
- 24 The planned review and restructuring of the fire safety department has been deferred into 2025/26 to allow for capacity within the operational crews to be assessed.
- 25 The overall forecast expenditure for employee cost is £34.227m, which is an underspend of £1.203m, with key movements analysed below:



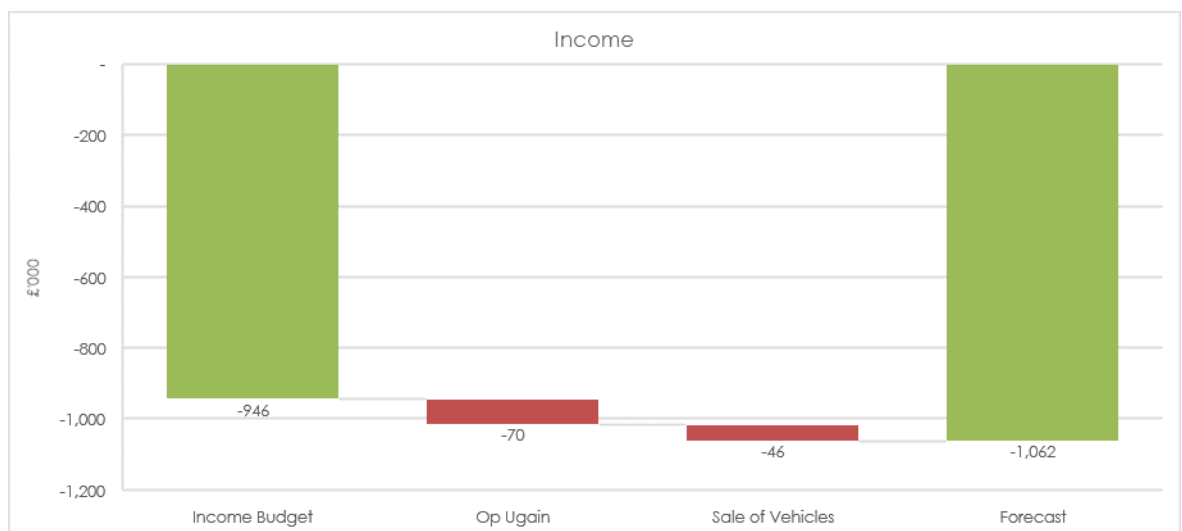
NON-PAY COSTS

- 26 The non-pay budget which covers Premises, Transport Supplies, Third Party Payments, and Capital Finance & Charges, is forecast to be underspent by £0.243m.
- 27 The largest improvement is seen within facilities, where costs for utilities are reducing as the Authority has benefitted from favourable market conditions and credits received following successful appeals against rateable values for national non-domestic rates.
- 28 The forecast includes one off savings as planned works associated with the marine fleet have been deferred into next year. The reductions within the ICT forecast include savings arising on contract renewal. These savings have enabled the ongoing costs arising from the external cultural review to be met from existing financial resources.
- 29 The forecast cost for capital finance is currently aligned to the budget. However, there is some slippage within the capital scheme that will affect the outturn position. Ongoing scrutiny of the capital programme is in place, to ensure that schemes are completed within the required timeframes.
- 30 Non-pay expenditure is subject to ongoing review by budget holders, to ensure that the projections continue to be reasonable and to manage unavoidable costs.



INCOME

- 31 In addition to the constituent authority levy, the budget also encompasses anticipated income from fees, charges, and grants, primarily related to the recharges for shared buildings with other entities and service level agreements with various organisations.
- 32 The Authority has received income from the Welsh Government to support the provision of education to drivers exceeding the recently introduced 20mph speed limits. Additional income has also been recognised following the sale of vehicles.
- 33 Income is exceeding the budget by £0.106m, as detailed below.



CAPITAL PROGRAMME

- 34 The Fire Authority approved a capital programme of £5.676m in January 2024, of which £1.1m is rollover funding from the 2023/24 financial year.
- 35 Due to ongoing delays, capital expenditure to date has totalled £0.581m, with the year-end projection forecasted to be £4.403m.
- 36 Given the capital slippage, a request for rollover funding amounting to £1.379m is forecast. Further details are provided below:

Project Name/Description	Budget £'000	Actual £'000	Forecast £'000	Rollover £'000
ICT Server and mobilising equipment upgrades	827		227	591
Training towers	305	6	314	
Station improvements	1,100	336	672	428
Sustainability works	469		470	
Training Facilities upgrade	300			300
Fire Appliances	426		533	
Light Vehicles	166	161	165	
Specialist Light Vehicles	632	66	572	60
Operational Equipment	290		290	
Fleet Equipment	50		50	
Rollover of Funding from 2023/24				
Fire Appliances	960		960	
Sustainability works	150	12	150	
Total	5,676	581	4,403	1,379

- 37 The anticipated financing of the capital expenditure is set out below:

Funding	Amount £m
Borrowing	3.676
Earmarked Reserves	0.727
Total	4.403

BORROWING

- 38 Capital expenditure is largely funded via external borrowing in the short term the Authority utilises surplus revenue cash, known as internal borrowing.
- 39 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 becomes necessary to replace the internal borrowing with external borrowing. The borrowing outstanding as at 30 September 2024 was £17.767m (£18.827m as at 31st March 2024). Further borrowing is anticipated as the capital programme progresses.

PRUDENTIAL INDICATORS – Q2 2024/25

- 40 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 throughout the financial year. The Indicators are calculated based on the information in the 2024/25 Capital Strategy, that was approved by the Authority at its meeting in March 2024.

Capital Expenditure

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

	2023/24 actual £m	2024/25 forecast £m	2025/26 budget £m
Capital programme	2.182	4.403	6.424

- 42 Further details of the capital projects to date are detailed within the Capital Programme section of this report.

Capital Financing Requirement

- 43 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.

	2022/23 actual £m	2023/24* actual £m	2024/25 forecast £m	2025/26 forecast £m
Capital financing requirement	28.877	27.949	30.647	36.003

*Excludes costs associated with purchasing of land.

Gross Debt and the Capital Financing Requirement

- 44 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.

	2022/23 actual £m	2023/24 actual £m	2024/25 budget £m	2025/26 budget £m
Debt (incl. Finance Leases)	26.650	20.787	24.493	28.508
Capital Financing Requirement	28.877	27.949	30.647	36.003

IMPLICATIONS

Well-being Objectives	This report links to NWFRA'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 is closely monitored to ensure that deviations from the approved budget are properly identified and reported to Members.