

Report to	<b>North Wales Fire and Rescue Authority</b>
Date	<b>28 April 2025</b>
Lead Officer	<b>Helen MacArthur Assistant Chief Fire Officer, Finance and Resources</b>
Contact Officer	<b>Elgan Roberts, Head of Finance and Procurement</b>
Subject	<b>Provisional Outturn 2024/25</b>



## PURPOSE OF REPORT

- 1 To provide Members with an update on the revenue and capital expenditure forecast for 2024/25, as of 31 March 2025.

## EXECUTIVE SUMMARY

- 2 The net budget requirement was approved by the North Wales 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. To cap the budget requirement at £48.322m, the Authority approved several non-recurring measures, including the use of reserves.
- 3 In the current year, funding of £0.227m has been received from the local authorities as a SCAPE Grant top-up, due to partial funding via the levy included in the budget setting process for 2024/25. Additionally, a grant of £0.208m has been received from the Welsh Government to support pay pressures during 2024/25.
- 4 The forecast outturn position is a surplus of £0.330m. The surplus takes into account all expenditure, income, and planned movements to reserves and for one-off items including reductions in cost for the national emergency service network (Firelink).
- 5 The Authority approved the 2024/25 capital budget of £5.676m on 22 January 2024. Additionally, there is rollover funding of £1.110m from prior years. The capital programme is experiencing slippage on schemes, and by the end of March 2025, it is anticipated that expenditure will be £3.450m, with a requirement to rollover funding of £2.226m.

## RECOMMENDATIONS

- 6 It is recommended that Members:
- i) **note the draft revenue and capital outturn projections for the 2024/25 financial year as detailed within the report;**
  - ii) **note the risks associated with inflation, tariffs, and supply chain issues; and**
  - iii) **approve the movement to/from earmarked and general fund reserves.**

## OBSERVATIONS FROM EXECUTIVE PANEL/AUDIT COMMITTEE

- 7 This report has not previously been considered by Members.

## BACKGROUND

- 8 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 Authority at its meeting on 22 January 2024. This confirmed a net revenue budget requirement of £48.322m to be funded by the constituent local authorities.
- 9 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.
- 10 The capital plan of £5.676m was presented to the budget Scrutiny working group and approved by the Authority at its meeting on 22 January 2024. The Capital Strategy for the period April 2024 to March 2034 was approved at the Audit Committee in March 2024 and ratified by the Authority at its meeting on 15 April 2024.
- 11 This report provides information on the draft revenue and capital expenditure outturn position for the 2024/25 financial year.

## INFORMATION

### REVENUE BUDGET

- 12 **Pay:** Employee costs represent over 70% of gross expenditure and the 2024/25 staffing budget is £35.430m, including 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.

- 13 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 was an increase £1,290 on NJC pay point 2 to 43 inclusive, and 2.5% on all pay points above 43.
- 14 The firefighters' pay award was settled in May 2024 and confirmed that 4% had been accepted for from 1 July 2024 onwards. Additional changes to the RDS retainer fee structure were implemented from 1 January 2025, these increased the retaining fee by 50% which is a full year cost pressure of circa £1m.
- 15 **Non-pay:** The non-pay forecasts account for known costs and any reductions in expenditure including the impact of the successful legal challenge in relation to the costs associated with the emergency services network (Firelink).
- 16 **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 addition, the Authority has benefitted from additional income from secondments and a one-off grant from the Welsh Government to support pay inflation for 2024/25 and education around the 20 mile per hour speed restrictions in Wales. Top-up funding of £0.227m has also been received from local authorities for SCAPE pass-through funding which was excluded from budget setting due to uncertainties around the funding.
- 17 **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

18 The report is projecting an underspend of £0.330m, which equates to 0.68% of the budget. The breakdown is detailed below.

	<b>Budget (£m)</b>	<b>Forecast (£m)</b>	<b>Variance (£m)</b>	<b>Variance (%)</b>
Employees	35.430	34.280	(1.149)	-3.24%
Premises	3.530	3.386	(0.183)	-4.07%
Transport	1.259	1.222	(0.038)	-2.98%
Supplies	6.622	6.565	(0.057)	-0.85%
Third Party Payments	0.363	0.402	0.038	10.71%
Capital Finance & Charges	2.989	2.890	(0.099)	-3.32%
<b>Subtotal Pay and Non-Pay</b>	<b>50.193</b>	<b>48.745</b>	<b>(1.448)</b>	<b>-2.88%</b>
Income	(0.946)	(1.576)	(0.630)	66.59%
Levies	(48.322)	(48.549)	(0.227)	0.47%
<b>Subtotal Income</b>	<b>(49.268)</b>	<b>(50.125)</b>	<b>(0.857)</b>	<b>1.74%</b>
Use of Reserves	(0.924)	1.051	1.975	-213.75%
<b>Forecast Outturn</b>	<b>0</b>	<b>(0.330)</b>	<b>(0.330)</b>	<b>-0.68%</b>

Table 1: Forecast Outturn 2024/25

## EMPLOYEE COSTS

19 Employee costs form a significant element of the budget (70%) and include pay, pension costs, recruitment and training costs, and employee services, such as occupational health services. The overall forecast expenditure for employee costs is £34.287m, which represents an underspend of £1.149m.

20 Efforts continue 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 provision was made to increase the RDS capacity by an additional 30 at a cost of £0.413m. This reflected improvements made in recent years to enhance retained capacity and provide much-needed cover. However, as illustrated in 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, it is pleasing to note that the numbers have increased, although a significant full year budget underspend is being experienced.

<b>RDS analysis</b>	<b>Budget 2024/25</b>	<b>Apr-24</b>	<b>Jul-24</b>	<b>Sep-24</b>	<b>Dec-24</b>	<b>Mar-25</b>
Headcount	504	459	465	487	492	490
Full Time Equivalent (FTE)	408	365	367	385	386	367

Table 2: RDS analysis 2024/25

- 21 The budget underspend in the RDS staff reflects recruitment and retention difficulties, as well as variances in variable pay, including drill fees, training allowances, and activity.
- 22 The FTE has decreased in Q4 compared to Q3. This reduction is attributed to a contractual review to align retained fees with the actual hours provided. Additionally, there has been an increase in dual contract staff, where wholetime staff are providing RDS cover. This arrangement typically results in lower retained hours, further impacting the FTE.
- 23 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 seen. However, due to the need to maintain operational capacity and deliver training, it has been necessary to utilise overtime.
- 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. In addition, the Service has experienced a number of specialist corporate vacancies within corporate planning, ICT and fleet. These roles remain critical but have contributed to the underspend.

## **NON-PAY COSTS**

- 25 The non-pay budget, which covers Premises, Transport, Supplies, Third Party Payments, and Capital Finance & Charges, is forecast to be underspent by £0.298m.
- 26 Non-pay expenditure is subject to ongoing review by budget holders to ensure that the projections continue to be reasonable and incorporates all relevant expenditure. The forecast includes additional costs for vehicle expenses (£0.078m), PPE from stock (£0.380m), and SLA increases (£0.036m), while savings from the review of contracts amount to £0.080m.

- 27 The largest reduction in non-pay is seen within premises, where costs for utilities, insurance, and national non domestic rates are underspent against budget by £0.425m. A reduction can also be seen within Diesel and Oil costs with an underspend of £0.057m. This is due to the Authority benefiting from favourable market conditions and successful appeals against rateable values for national non-domestic rates. However, this underspend is partially offset by additional costs for premises works undertaken and movement of funding to reserves.
- 28 The ICT budget has achieved recurring cost savings of £0.526m for Firelink and £0.206m for BT One.

## **INCOME**

- 29 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.
- 30 The Authority has received income from the Welsh Government to support the provision of education to drivers exceeding the recently introduced 20mph speed limits and grant funding to support pay pressures for 2024/25. Additional income has also been recognised following the sale of vehicles and the remaining balance of £0.227m for SCAPE passed through from local authorities.

## **CAPITAL PROGRAMME**

- 31 The Authority approved a capital programme of £5.676m in January 2024, of which £1.1m was rollover funding from 2023/24.
- 32 Due to ongoing delays, capital expenditure to date totals £3.086m, and the year-end projection is forecast to be £3.450m.
- 33 Rollover of funding of £2.257m is required due to delays in the completion of building works. Details of the schemes are in appendix 1.

## **BORROWING**

- 34 Capital expenditure is predominantly funded via external borrowing, but in the short term, the Authority utilises surplus revenue cash, known as internal borrowing.
- 35 The Authority continues to utilise internal borrowing where this is possible on a temporary basis. 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 mechanism to fund capital spend and generate revenue savings. However, as reserves are utilised, it becomes necessary to replace the internal borrowing with external borrowing.
- 36 The Authority took out a new £5m short-term local authority loan in December 2024, due for repayment in August 2025, to cover short-term cash needs whilst looking to more affordable long-term borrowing during 2025/26, as highlighted in the treasury management strategy paper for 2025/26.

## **USE OF THE GENERAL FUND AND EARMARKED RESERVES**

- 37 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, such as spare conditions and wildfires.
- 38 The Authority currently had earmarked reserves of £7.398m as of 1 April 2024, which have been built up in recent years due to slippage in recruitment and delivery of projects. In addition, there are reserves set up to fund interest rate rises, increases in inflation, system improvements, and service improvements.
- 39 The provisional outturn assumes that earmarked reserves will not be utilised in the year. The following have been moved to reserves either due to uncertainty over future liability or to cover one-off costs that were not completed during 2024/25:

	<b>Budget (£m)</b>	<b>Forecast (£m)</b>
Use of Reserves	(0.924)	
• N/A		0.000
Movement to Reserves:	0.000	
• Emergency Service Network		0.526
• Pension		0.525
• Estates one off costs*		0.330
• Holmatro*		0.070
<b>Total</b>	<b>(0.924)</b>	<b>1.451</b>

Table 3: Movement to and from reserves

\*The following items were included under premises and supplies costs in table 1, due to uncertainty around delivery of schemes as of the end of March. The figures included in table 3 are indicative numbers that will be refined during the year end processes.

## 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 are closely monitored to ensure that deviations from the approved budget are properly identified and reported to Members.

## Appendix 1

Lead Dept	Project Name/Description	Rollover
ICT	Station end mobilising replacement	£600,000
Facilities	Heating and Hot Water Systems	£52,000
Facilities	Heating and Hot Water Systems	£60,000
Facilities	Replace steel Training Towers	£300,000
Facilities	Re-roofing work @ Rhyl	£63,000
Facilities	Upgrade the Training House in Deeside	£108,250
Facilities	Upgrade the Training House in Wrexham	£123,660
Facilities	Llandudno heating	£150,000
Fleet/ Tech	Flow Meters	£250,000
Facilities	ECR station upgrades - contingency	£250,000
Facilities	HVO Tanks	£300,000
<b>Rollover</b>		<b>£2,256,910</b>