

Report to	Audit Committee
Date	19 June 2023
Lead Officer	Assistant Chief Fire Officer (Finance & Resources)
Contact Officer	Helen Howard
Subject	Provisional Outturn 2022/23



PURPOSE OF REPORT

- 1 To present the draft revenue and capital expenditure position for 2022/23 and to confirm the timetable for the production of the annual statement of accounts.

EXECUTIVE SUMMARY

- 2 The net budget requirement was approved by the North Wales Fire and Rescue Authority (the Authority) at its meeting of 20 December 2021. This confirmed a net requirement of £39.41m to be funded by the constituent local authorities following the use of earmarked reserves and provisions. The net outturn position is an overspend of £0.40m to be met from the general fund.
- 3 The Authority approved the 2022/23 capital budget of £2.91m on 20 December 2021. This increased to £3.3m following the roll-over of schemes from 2021/22 and grant funded projects. The draft outturn position is £3.4m.

RECOMMENDATIONS

- 4 Members are asked to:
 - (i) note the draft revenue and capital outturn position for the 2022/23 financial year as detailed within the report; and
 - (ii) note the timescales for the production of the annual statement of accounts and the external audit thereof.

BACKGROUND

- 5 The Accounts and Audit (Wales) Regulations 2014 require the Authority to prepare and publish a statement of accounts on an annual basis. The timescales prescribed within the regulations require a draft statement of accounts to be issued by the 31 May with an audit deadline of the 31 July each year.

- 6 In recent years, and due to the Covid constraints which have impacted on both the production and audit of the statement of accounts, the deadlines have been relaxed. This is permissible within the regulations (regulation 10.4).
- 7 More recently, Audit Wales confirmed that it would not be able to achieve the deadline of the 31 July 2023 for the audit of the draft statement of accounts and provided an alternative deadline of the 30 November 2023. This was discussed by the Authority at its meeting of 21 April 2023, and it was confirmed that the draft statement of accounts would be prepared by 30 June 2023. Appropriate notices have been placed on the Authority's website to confirm this.
- 8 This approach is consistent with the advice of the Welsh Government following consultation with the Society of Welsh Treasurers. The Welsh Government expectation is that the draft statement of accounts for 2022/23 should be prepared no later than 31 July 2023.
- 9 The Statement of Accounts for 2022/23 are currently being progressed and the draft out-turn position for both revenue and capital expenditure have been finalised.

INFORMATION

REVENUE BUDGET

- 10 The net budget for 2022/23 of £39.412m was approved at the Authority meeting on 20 December 2021. Following further planning work, the overall net budget requirement was confirmed at the Authority meeting on the 20 June 2022 and at this time it was also noted that expenditure deferred from 2021/22 would be met from earmarked reserves. In addition, the specific risk associated with pay awards was noted as the national pay awards were outstanding.
- 11 The main expenditure headings and draft outturn positions net of provisions and reserve movements are set out below:

	Final Budget (£000)	Draft Outturn (£000)	Variance (£000)	Variance (%)
Employees	30,130	30,353	223	0.67%
Premises	2,901	2,992	91	3.1%
Transport	1,204	1,250	46	3.9%
Supplies and Services	5,080	4,956	-124	-2.4%
Third Party Payments	451	419	-32	-7.1%
Capital Finance & Charges	2,263	2,424	161	7.1%
Income	-2,617	-2,943	-326	12.4%
Draft outturn	39,412	39,452	40	0.1%

EMPLOYEE COSTS

- 12 Employee costs form a significant element of the budget and include pay, pension costs, cost of recruitment and training and employee services, such as physiotherapy and occupational health services.
- 13 Employee costs represent over 75% of net expenditure and in year costs of £30.3m represent a year on year increase of 12.6% (£26.9m for 2021/22). The year on year increase reflects recruitment completed in year with the appointment of 24 operational firefighter apprentices and a net increase of retained duty system personnel of 16. In addition, a number of essential posts were filled including the Environmental and Sustainability Manager and the Procurement and Contracts Manager. Recruitment to specialist roles in the current employment market remains challenging and work is ongoing to address known pressures.
- 14 The in-year increase in pay costs also reflects the settlement of the pay awards for staff conditioned on local government terms and conditions (green book and blue book) and firefighters (grey book). In common with the public sector these settlements were above the planning assumptions and have necessitated careful management. These costs have been partially mitigated through the use of short-term vacancies, reductions in variable pay and also through variances in non-pay budgets including additional unplanned income.

NON-PAY COSTS

- 15 The outturn position for premises is £3.0m which is an overspend of 3.1% and compares to expenditure of £2.6m in 2021/22. The in-year costs include a pressure of £0.2m associated with energy contracts following the renewal of the contract from October 2022. Although the full impact was reduced due to government support for the period to April 2023 this remains a significant challenge and has been built into future budgets.
- 16 The premises position was also improved through the receipt of £0.5m from national non-domestic rating appeals which enabled a contribution to be made towards the planned maintenance expenditure.

- 17 The year end position for transport is £1.25m which is a year on year increase of 20%. These costs include an overspend against fuel costs of £0.15m which have been mitigated through an underspend against lease vehicles and insurance excesses. The programme of vehicle replacements through the provision of leased vehicles has been delayed due to supply chain difficulties.
- 18 The supplies and services expenditure of £4.9m was lower than forecast due to delays in the receipt of orders to the value of £0.3m for essential PPE. These orders have been delayed due to supply chain issues in relation to the availability of the materials used. This matter is being addressed with the supplier to ensure that orders are prioritised. These goods were subsequently received in May.
- 19 The expenditure with third parties is £0.4m and includes the provision of services from other public sector bodies including facilities and estates management, internal audit services, legal services and pension fund administration. The in-year underspend reflects the repatriation of the financial services from Conwy CBC.

INCOME

- 20 As well as the constituent authority levy, the budget also includes expected income for fees and charges and grants.
- 21 The financial challenges experienced during 2022/23 have been mitigated through income being higher than budget. This has been achieved through the receipt of support for trainee firefighters from the apprenticeship levy, higher than expected interest receipts for cash deposits and income from the sale of assets.

Revenue Grant Funding

- 22 2022/23 grant funding allocations totals £2.38m (2021/22: £2.397m). A breakdown of grant funding, for 2022/23, is detailed below. All grants are carefully monitored throughout the financial year to identify any variances and to enable remedial action to be taken.

	Allocation £000
Arson Reduction	179
Home Safety Equipment	226
Youth & Young People Engagement	147
All Wales National Resilience	314
Firefighters Pension Contributions	1,081
Firelink Service Fees	416
Ask & Act	10
Cyber Essentials	10
Carbon Net Heat Development	2
Total Grant Funding	2,385

USE OF EARMARKED RESERVES

- 23 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.
- 24 The provisional outturn assumes that earmarked reserves will increase by £0.65m with a closing position of £6.2m. The Authority also holds a general reserve of £1.48m. The earmarked reserves have been established for anticipated expenditure which has either not proceeded in year or is planned for future years. They also provide capacity for the Authority to smooth the impact of one-off costs such as system upgrades as well as mitigate exceptional inflationary pressures.

	Balance 31 March 2021	Balance 31 March 2022	Transfers in/(out) 2022/23	Balance 31 March 2023
	£'000	£'000	£'000	£'000
Service Reserves				
Pension Reserve	85	85	460	545
Capital Financing Reserve	100	300	0	300
Fire Hydrant Repairs	90	90	0	90
PPE Uniform / Stock	250	250	0	250
Transformational Change	800	851	0	851
Facilities Improvement	490	1,323	-672	651
Legal Liability	200	225	-39	186
Training	100	250	0	250
Major Incidents	150	150	0	150
System Improvements	501	847	-137	710
Inflation	0	250	0	250
Capital & Grant Reserves				
HFSC Grant Reduction	195	195	0	195
Radio Scheme	500	750	0	750
Capital Building Projects	0	0	1043	1043
Total	3,461	5,566	655	6,221

CAPITAL PROGRAMME

- 25 The Authority has approved a capital programme of £3.321m including schemes rolled over from 2021/22 and additional expenditure funded by grant.
- 26 Ongoing supply chain issues and inflationary pressures remain and it has been necessary to review and revise the capital programme to reflect projects which can be delivered in year.
- 27 A particular area of challenge relates to the provision of replacement towers. Whilst the tenders have been awarded there have been delays due to supplier capacity and planning permission and inflationary pressures due to the cost of steel. A total of three replacement towers were scheduled for completion during 2022/23 and these have now been deferred into 2023/24.
- 28 The minor works programme has continued in year with expenditure of £0.69m. This includes work to upgrade the washing facilities at Dolgellau, female changing facilities in Rhyl, roof replacement at Caernarfon station and replacement appliance bay doors in Chirk.

29 The outturn for the capital programme is £3.366m.

Scheme	Revised Plan	Forecast	Proposed Rollover
	£'000	£'000	£'000
Fire Appliance Replacement	1,248	1,263	
Multi-Purpose Station Vans	160	-	160
National Resilience vehicles and equipment	0	132	
Electric vehicle charging points	0	120	
Workshop Equipment	20	12	
Training Tower Replacement	160	-	307
Buildings - Minor Works	391	696	158
Control server	167	125	
Operational Equipment	92	93	
Fire Appliances (b/f from 2021/22)	923	925	
Training Towers (b/f from 2021/22)	160	-	
Total Capital Plan	3,321	3,366	625

30 The Authority has a replacement programme for fire appliances which is currently 15 years. During 2022/23 a total of 13 have been brought into operational use out of a total of 54 front-line water tenders.

31 The financing of the capital plan is as follows:

Funding	Amount
	£'000
Borrowing	2,351
Grant Funding	490
Internal Resources	525
Total	3,366

CAPITAL FINANCING AND CHARGES

32 The capital financing budget sets aside revenue funding to finance capital expenditure and is made up of interest charges and a minimum revenue provision (MRP) for the use of assets.

33 The Minimum Revenue Provision (MRP) represents the minimum amount that must be charged to an authority's revenue account each year for financing of capital expenditure, which will have initially been funded by borrowing. It is part of all Authority's accounting practices and is about making sure that the Authority can pay off the debts it has from buying capital assets, such as buildings and vehicles.

- 34 Regulations require the Authority to determine each financial year an amount of MRP, which it considers to be prudent by reference to a calculated capital financing requirement (CFR). The MRP charge for 2022/23 was £1.96m.
- 35 The actual expenditure was £2.424m which is an overspend of £161k. This has arisen due to the significant interest increases experienced during the financial year. The overall impact of this has been carefully managed through the use of internal sources of funding and through following the advice from our professional advisors to secure beneficial market rates.

BORROWING

- 36 Capital expenditure is largely funded via external borrowing. Although the capital expenditure is largely funded via loans in the short term the Authority utilises surplus revenue cash.
- 37 The Authority's borrowings were £26.46m at 31 March 2023. This includes £6.0m of temporary short-term loans, from other public sector bodies and £20.46m of loans from the Public Works Loans Board. All loans are agreed on fixed rates of interest and following advice from the Authority's professional advisors, Arlingclose. The Treasury Management activity and out-turn position is reported separately.

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	None
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.

