

Report to	North Wales Fire and Rescue Authority
Date	20 January 2025
Lead Officer	Helen MacArthur Assistant Chief Fire Officer
Contact Officer	Elgan Roberts, Head of Finance and Procurement
Subject	Provisional Outturn 2024-25



PURPOSE OF REPORT

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

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. In order to cap the budget requirement at £48.322m, the Authority approved some non-recurring measures, including the use of reserves.
- 3 In the current year, funding of £0.227 million 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 £0.208 million has been received from the Welsh Government to support pay pressures during 2024/25.
- 4 The actual expenditure is now forecast to be £47.803m, which includes costs relating to various projects, national pay settlements and movement to reserves.
- 5 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

- 6 Members are asked to:
- i) **note the projected revenue outturn position and the projected capital slippage for the 2024/25 financial year, as detailed within the report;**
 - ii) **note the risks associated with the provisional outturn and recognise that the figures forecasted in this report are prudent; and**
 - iii) **note the proposed movement to reserves of £0.070m for slippage on non-pay expenditure relating to operating equipment.**

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 of the 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 Members Budget Scrutiny working group and approved by the 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 Authority at its meeting of the 15 April 2024.
- 11 This budget monitoring 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. Detailed changes to the RDS retainer fee structure are to be implemented from 1 January 2025.
- 15 **Non-pay:** The non-pay forecasts account for known costs and any reductions in expenditure. However, uncertainty persists due to the general economic outlook and supply chain challenges.
- 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 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 pay inflation for 2024/25 and education around the 20 mile per hour speed restrictions in Wales.
- 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 At this stage within the financial year there remains 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 £1m before transfers to earmarked reserves. However, based on year to date expenditure, the most likely full year revenue forecast as at 31 December 2024 is set out below and indicates an underspend of £0.519m.

	Budget (£m)	Forecast (£m)	Variance (£m)	Variance (%)
Employees	35.430	34.287	(1.142)	-3.22%
Premises	3.530	3.347	(0.183)	-5.19%
Transport	1.259	1.336	0.078	6.16%
Supplies	6.622	6.910	0.288	4.35%
Third Party Payments	0.363	0.399	0.036	10.02%
Capital Finance & Charges	2.989	2.989	0.000	0.00%
Income	(0.946)	(1.535)	(0.589)	62.26%
Use of Reserves	(0.924)	0.070	0.994	-107.58%
Forecast Outturn	48.322	47.803	(0.519)	-1.07%

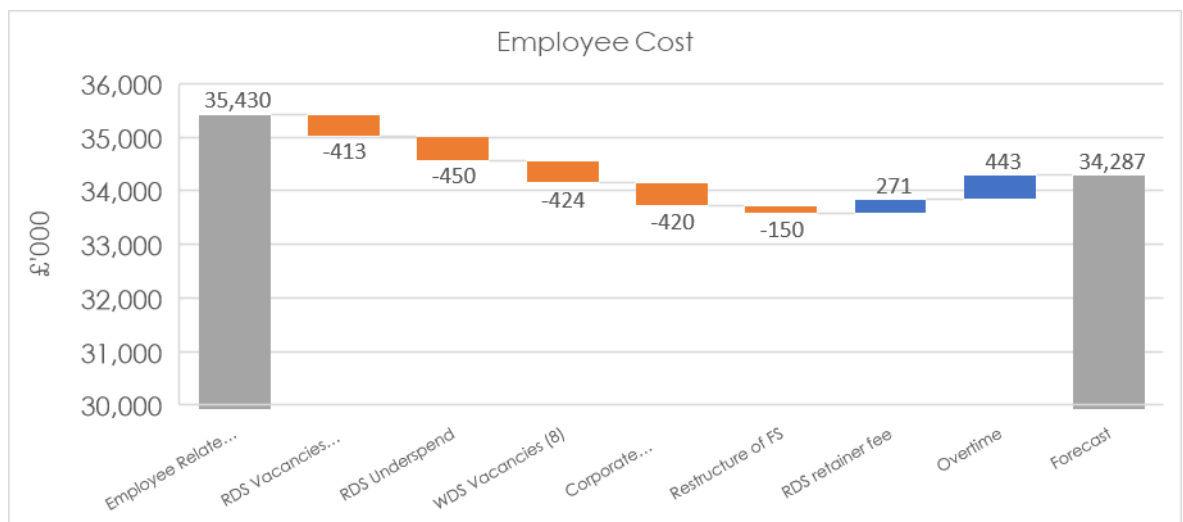
- 19 There is uncertainty regarding Firelink costs, due to an ongoing national legal challenge. If the legal challenge is found in favour of the sector, the in-year costs will reduce by £0.500m. As it is not clear whether this matter will be settled before the year-end, an earmarked reserve will be established. Should the matter settle in favour of the sector the reserve will be utilised to support the implementation costs associated with the replacement Emergency Service Network.

EMPLOYEE COSTS

- 20 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.
- 21 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, it is pleasing to note that the numbers have increased, although a significant full budget underspend is being experienced.

RDS analysis	Budget 2024/25	Apr-24	Jul-24	Sep-24	Dec-24
Headcount	474	459	465	487	492
100% equivalent	378	365	367	385	386

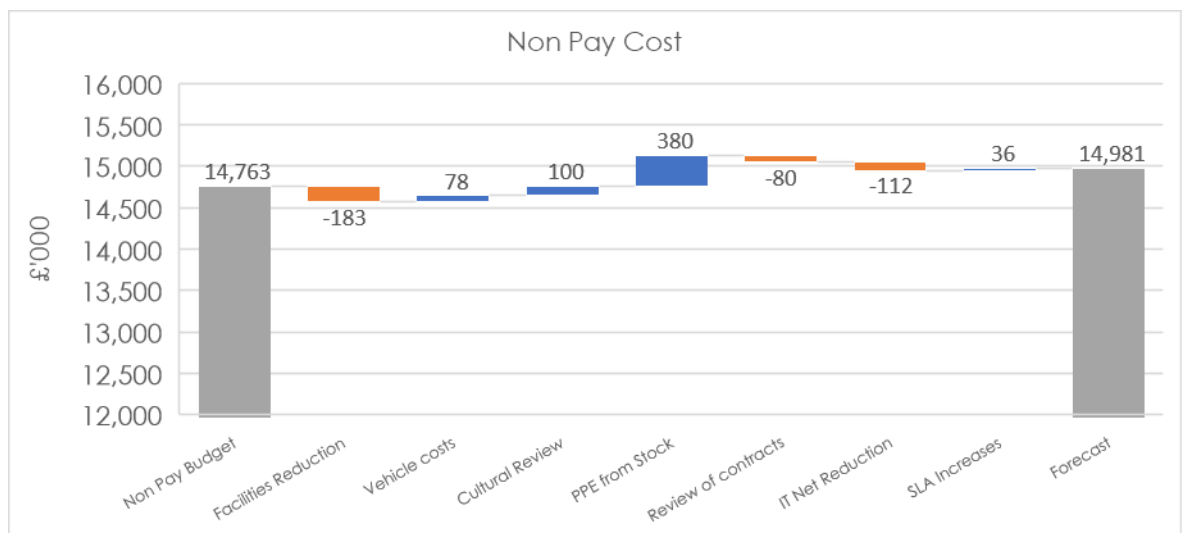
- 22 The budget underspend in the RDS staff budget reflects the recruitment and retention difficulties and variances in the variable pay, including drill fees, training allowances and activity.
- 23 Within the staff group relating to wholetime operational staff, there have been a higher than expected number of retirements, leading to vacancies within the operational workforce. Recruitment measures have been taken to address this shortfall, although an underspend is anticipated. However, due to the need to maintain operational capacity and deliver training it has been necessary to utilise overtime.
- 24 The difficulty in recruiting to specialised posts within the corporate departments has continued during 2024/25 with a full year underspend anticipated.
- 25 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.
- 26 The overall forecast expenditure for employee cost is £34.287m, which is an underspend of £1.142m, with key movements analysed below:



NON-PAY COSTS

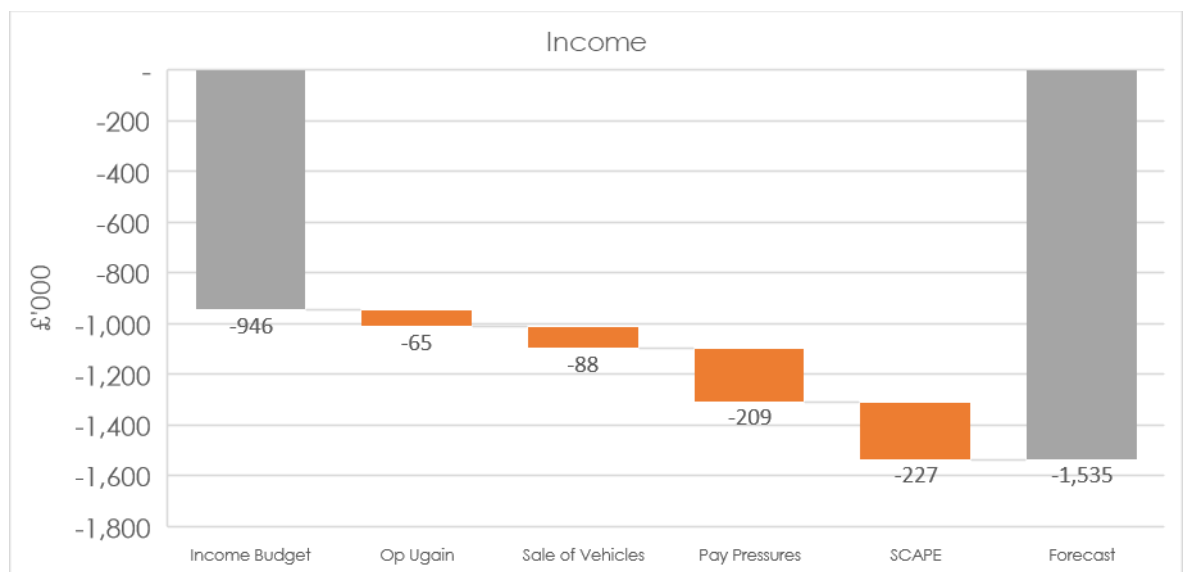
- 27 The non-pay budget which covers Premises, Transport Supplies, Third Party Payments, and Capital Finance & Charges, is forecast to be Overspent by £0.218m.

- 28 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. 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.
- 29 The largest reduction in non-pay is seen within facilities, where costs have decreased by £0.183m. This is due to the Authority benefiting from favourable market conditions and successful appeals against rateable values for national non-domestic rates.
- 30 Non-pay costs have been reduced by £70k due to slippage on the Holmatro hydraulics replacement which is unlikely to be completed by the year end, the funding been moved to reserves to fund the expenditure in 2025/26.
- 31 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, including savings of £0.112m arising from contract renewals, have enabled costs of c£0.100m costs arising from the external cultural review to be met from existing financial resources.
- 32 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.



INCOME

- 33 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.
- 34 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 with pay pressure for 2024/25. Additional income has also been recognised following the sale of vehicles and the remaining balance of £0.227 for SCAPE passed through from Local Authorities.
- 35 Income is exceeding the budget by £0.362m, as detailed below.



CAPITAL PROGRAMME

- 36 The Authority approved a capital programme of £5.676m in January 2024, of which £1.1m is rollover funding from the 2023/24 financial year.
- 37 Due to ongoing delays, capital expenditure to date has totalled £1.138m, with the year-end projection forecasted to be £4.403m.
- 38 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	36	314	
Station improvements	1,100	467	672	428
Sustainability works	469		470	
Training Facilities upgrade	300			300
Fire Appliances	426	229	533	
Light Vehicles	166	194	165	
Specialist Light Vehicles	632	201	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	1,138	4,403	1,379

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

Funding	Amount £m
Borrowing	3.676
Earmarked Reserves	0.727
Total	4.403

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.