

Report to	<b>North Wales Fire and Rescue Authority</b>
Date	<b>17/06/2019</b>
Lead Officer	<b>Ken Finch – Treasurer</b>
Contact Officer	<b>Ken Finch (01745 535286)</b>
Subject	<b>Draft Statement of Accounts 2018/19</b>



## PURPOSE OF REPORT

- 1 To present the draft 2018/19 Statement of Accounts (the Accounts) to Members, and seek delegation of the approval of the final audited version to the Executive Panel at its meeting on 29 July 2019.

## EXECUTIVE SUMMARY

- 2 North Wales Fire and Rescue Authority (the Authority) approved a revenue budget of £34.1m at its meeting on 18 December 2017. The draft Accounts confirm a minor overspend of £3k.
- 3 The Authority approved a capital budget of £4.9m in December 2017 which increased to £5.9m to accommodate projects outstanding from 2017/18. The capital expenditure for 2018/19 was £1.9m, reflecting action taken during the financial year to defer and reduce the capital programme.
- 4 The Authority maintains earmarked reserves to provide financial contingency for future events or risks. As at the 31<sup>st</sup> March 2019 a total of £0.8m is held in earmarked reserves.

## RECOMMENDATION

- 5 Members are asked to:
  - (i) note the draft revenue and capital outturn positions as detailed within the 2018/19 Statement of Accounts;
  - (ii) delegate approval of the final audited 2018/19 Statement of Accounts to the Executive Panel at its meeting on 29 July 2019; and
  - (iii) approve the earmarked reserves as detailed within the 2018/19 Statement of Accounts.

## OBSERVATIONS FROM EXECUTIVE PANEL/AUDIT COMMITTEE

6 This report has not previously been considered by Members.

### BACKGROUND

7 This report provides information on the draft revenue and capital expenditure outturn position for the 2018/19 financial year. The report also provides a summary of key balance sheet items including the maintenance of earmarked reserves.

8 Grants that have been awarded in-year are detailed within this report but excluded from the reported revenue and capital figures.

### INFORMATION

#### REVENUE BUDGET

9 The table below sets out the draft revenue outturn position for the 2018/19 financial year. This details an overspend of £3k against the budget of £34,140k.

<b>Revenue</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Pay	24,777	24,737	(40)
Premises	1,726	1,832	106
Transport	991	1,076	85
Supplies	3,248	3,568	320
Third Party Payments	1,028	1,035	7
Capital Financing	3,035	2,649	(386)
Income	(665)	(884)	(219)
Contribution to Reserves	0	130	130
<b>Total</b>	<b>34,140</b>	<b>34,143</b>	<b>3</b>

<b>Revenue Funding</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
LA Contributions	(33,493)	(33,493)	0
General Reserves	(647)	(650)	(3)
<b>Total</b>	<b>(34,140)</b>	<b>(34,143)</b>	<b>(3)</b>

#### Employee Costs

10 For the 2018/19 financial year, the budget for expenditure relating to employees was £24,777k which represents 71% of expenditure. The draft outturn position is an underspend of £40k. During the summer months of 2018 significant activity pressures were experienced resulting

in additional costs for firefighting personnel. These costs have been addressed through the careful short term management of vacancies.

### **Premises**

- 11 The full year expenditure on premises is £1,832k which is an overspend of £106k (6.1%) of budget. Key areas of overspend include repairs and maintenance, electricity costs and one-off costs associated with the condition survey.
- 12 The overspend is partially offset through additional income arising from jointly occupied buildings which is shown within income.

### **Transport**

- 13 The Transport expenditure is £1,076k which is £85k over budget (8.5%). The key overspends are noted within repairs and maintenance which relate to additional activity and outsourced work arising from the wild fires. Fuel costs are also a key pressure due to increased prices and activity. These costs are partly offset by income from the sale of vehicles (£64k).

### **Supplies**

- 14 The expenditure on Supplies amounts to £3,056k which is an overspend of £320k against budget (9.8%)
- 15 Whilst activity pressures have contributed to the overspend the key areas of overspend relate to uniform costs and computer expenditure.

### **Capital Financing**

- 16 The capital financing costs are £2,649k which is £386k less than budget (12%). The capital financing costs include the charge to revenue for depreciation and also the cost of borrowing. The cost of borrowing was £91k less than anticipated due to the reductions in the 2018/19 capital programme and the use of capital receipts from the sale of the former Wrexham fire station.

### **Income**

- 17 Income of £884k was received which is 32% higher than budget. This includes additional in year income arising from the Wylfa Newydd project and additional income from rent on aerial sites and jointly occupied premises.

## Revenue Grant Funding

- 18 Expenditure on grants included a minor overspend of overspend of £14k.

	<b>Expenditure £000</b>	<b>Income £000</b>	<b>Variance £000</b>
ART	151	(148)	3
FS Interventions	204	(203)	1
Phoenix	164	(162)	2
New Dimensions	473	(465)	8
Firelink	416	(416)	0
<b>Total</b>	<b>1,408</b>	<b>(1,394)</b>	<b>14</b>

## CAPITAL PROGRAMME

- 19 The Authority approved a capital programme of £4,900k which increased to £5,890k to accommodate projects outstanding from 2017/18.
- 20 The full year position is set out below and confirms the actions taken during the financial year to review and manage the capital programme.

<b>Department</b>	<b>Budget £</b>	<b>Actual £</b>	<b>Variance £</b>
Estates	743	528	(215)
Major Building Works	503	1	(502)
Minor Building Works	140	53	(87)
Information Technology	1,899	617	(1,282)
Operational Equipment	1,575	199	(1,376)
Vehicles	1,029	311	(718)
Grant Funded MDTs	0	143	(143)
<b>Grand Total</b>	<b>5,890</b>	<b>1,853</b>	<b>(4,323)</b>

- 21 The key areas of underspend relate to the following:
- refurbishment of the smoke house in Dolgellau;
  - the Windows 10 project will progress in April 2019;
  - slippage in the timescales for the new incident command and control system and the mobile data terminals on appliances;
  - delays in agreeing the all Wales tender for refresh of the fire kit; and
  - rescheduling of the purchase of new fire appliances due to the increase in asset life of vehicles.

## **BALANCE SHEET**

- 22 The Balance Sheet provides further information on the Authority's long term financial position and is contained on page 16 of the Accounts (set out in Appendix 1). The following paragraphs provide further information.

### **Fixed Assets and Borrowing**

- 23 Fixed assets relate to items with a cost in excess of £1,000 which are expected to be used over a period exceeding 12 months. The Authority's fixed assets include land and buildings, vehicles and equipment including fire kits and ICT. The estimated value as at 31<sup>st</sup> March 2019 is £48.8m (2017/18: £51.4m). The reduction year on year is relates to vehicle sales and in year depreciation which are partially offset by the additions arising from the capital programme. The Authority's land and buildings account for 73% of total assets with a net book value of £35.6m as at 31<sup>st</sup> March 2019.
- 24 The Authority is permitted to enter into borrowing arrangements to fund the purchase of fixed assets. At as 31<sup>st</sup> March 2019 the value of borrowing was £32.6m (2017/18: £35.6m). The capital financing costs within the revenue position include £387k relating to interest payments on borrowing.

### **Current Assets and Current Liabilities**

- 25 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 £3.8m relating to cash and debtors. This is offset by £2.7m relating to amounts owed by the Authority to creditors.

### **Pension Liabilities**

- 26 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 £319.3m as at 31<sup>st</sup> March 2019 (2017/18: £313.1m).

### **Usable reserves**

- 27 The Authority's reserves as at 31<sup>st</sup> March 2019 amount to £2.145m. This includes £770k of earmarked reserves and £1,375k of general reserves.
- 28 An earmarked reserve is created for specific items which are known about at the balance sheet date and may create a future liability. The

Authority has five earmarked reserves which are detailed in the table below:

	Value £'000	Description
Pension	85	This is a long term reserve which has been established to mitigate the impact of unforeseen in year costs associated with the pension schemes.
Radio Scheme	300	The Authority receives grant funding to support the national emergency services network for which a replacement is being procured. The reserve has been established to mitigate the risk of additional costs during the procurement phase.
Grant Reduction	195	The Authority incurs revenue expenditure of £1.3m which is funded via Welsh Government grants. These are agreed on an annual basis and the reserve is in place to address short term costs arising from reductions in grant funding.
Interest	100	This reserve has been established to mitigate the impact of fluctuations in interest rates
Fire Hydrants	90	This is a new reserve established in 2018/19 to cover backlog maintenance

## IMPLICATIONS

<b>Wellbeing Objectives</b>	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.
<b>Budget</b>	Budget is set annually in accordance with the proposed service delivery which includes emergency response and prevention work.
<b>Legal</b>	It is a legal requirement that the Authority produces the Statement of Accounts in accordance with the prescribed standards.
<b>Staffing</b>	None
<b>Equalities/Human Rights/Welsh Language</b>	None
<b>Risks</b>	Income and expenditure is closely monitored to ensure that deviations from the approved budget are properly identified and reported to Members.