

2023/2024 OUTTURN AND FINANCIAL REPORT**JOINT REPORT OF THE CHIEF FIRE OFFICER
AND TREASURER****For Approval****1. PURPOSE OF REPORT**

- 1.1 To report the final outturn position against the approved 2023/24 budget.
- 1.2 To inform Members of the arrangements for approving the Authority's 2023/24 Financial Report and to provide a copy of the draft 2023/24 Financial Report.

2. RECOMMENDATIONS

- 2.1 That Members: -
 - i. Approve the 2023/24 Annual Governance Statement as detailed on pages 82 to 87 of **Appendix A**.
 - ii. Note the Financial Report detailed in **Appendix A** will be subject to the completion of the independent audit by Forvis Mazars and details of any audit amendments will be reported later in the year.

3. BACKGROUND

- 3.1 In accordance with the Accounts and Audit Regulations 2015, all Local Authorities are required to produce a draft annual Statement of Accounts by 31 May. The Authority published the draft accounts on 31 May. The statutory deadline for the audit to be completed and for the Authority to publish its Audited Statement of Accounts is 30 September 2024.

4. REVENUE POSITION AT 31st MARCH 2024

- 4.1 The Authority continues to operate in an uncertain financial environment as separate one-year Government grant allocations were made for 2023/24 and 2024/25, with the most recent settlement being the sixth annual one-year settlement. It is hoped that the timing of the General Election will enable the next Government to reinstate three-year settlements from 2025/26, which will improve financial and service planning.

- 4.2 Government grant funding for 2023/24 increased by £0.608m (£0.809m in 2022/23). The increases in 2022/23 and 2023/24 do not reverse the significant reductions in Government funding in previous years. The amount of Government funding received in 2023/24 was £5.1m less than it was in 2013/14 – a cash reduction of 27%. When account is taken of inflation the real term reduction in funding is significantly greater. To manage this position the Authority previously made significant changes to modernise services and achieve efficiencies, including a significant reduction in our workforce, the most significant being:



A 33% reduction in the number of wholetime fire fighter posts from 494 to 332

- 4.3 The budget for 2023/24 was prepared against an uncertain inflation background and was set in February 2023, the day after the national pay settlement for firefighters was announced. This provided a two year pay settlement for firefighters with a 7% increase backdated to July 2022 and a 5% increase from July 2023. This exceeded our forecast increases and meant we faced a net 2023/24 budget deficit of £0.531m, as summarised below:

2023/24 Net budget deficit – reported February 2023

	£'m
Budget increase required to maintain services	2.132
Less Government Grant increase	(0.608)
Less Council Tax increase	(0.796)
Less additional Council Tax income from new housing	(0.197)
Net deficit	0.531

- 4.4 As a result of the timing of the national fire fighters pay award the Authority took the decision to use investment income of £0.500m, which was secured from higher interest rates, to support the 2023/24 budget and avoid service cuts. The remaining small deficit of £0.031m was funded from the Budget Support Fund reserve. The Authority recognised this strategy deferred a budget deficit of £0.531m, which was addressed when the 2024/25 budget was set.
- 4.5 In view of the inflation uncertainty facing the Authority in 2023/24 and funding uncertainty in future years the Chief Fire Officer managed the budget carefully, including managing vacant posts and deferring expenditure where this did not impact on operational delivery.
- 4.6 The net outturn was an underspend of £0.260m as detailed on page 10 of Appendix B. This was in line with the forecast position and consisted of two components:
- Managed Budget underspend £0.121m
 - Section 31 – Business Rates grant £0.139m
- 4.7 In accordance with the approved strategy this amount was transferred to the General Fund reserve to maintain this at 5% of the ongoing revenue budget.

5. CAPITAL POSITION AS AT 31 MARCH 2024

- 5.1 In 2023/24 total capital expenditure was £1.809m, consisting of:
- £0.668m of property expenditure;
 - £0.188m on equipment and vehicles;
 - £0.624m on Drill Towers;
 - 0.329m on breathing apparatus.
- 5.2 In accordance with the approved funding strategy these costs were funded from a combination of Prudential Borrowing of £1.315m, the Capital Investment Programme Reserve of £0.472m and £0.022m of Capital Receipts.
- 5.3 Owing to the longer lead time for capital schemes expenditure totalling £1.764m has been rephased from 2023/24 into 2024/25. Capital resources have also been rephased, consisting of which £0.984m Capital Investment Programme Reserve and £0.780m Prudential Borrowing.

6. THE FINANCIAL REPORT

- 6.1 The Financial Report presents the Authority's financial position for 2023/24. In line with previous years the draft accounts are being reported to enable Members to ask questions.
- 6.2 The Financial Report is attached at **Appendix A**, which in summary provides the following information: -
- i) Authority Membership (as at 31.03.24)
 - ii) Narrative Report
 - iii) Statement of Responsibilities for the Statement of Accounts
 - iv) Statement of Accounts
 - v) Group Statement of Accounts
 - vi) Annual Governance Statement
 - vii) Glossary of Terms
- 6.3 The narrative report provides an explanation of the Authority's overall financial performance for 2023/24 and outlines the impact of the current economic climate on the Authority's ongoing financial position. The report also provides a guide to the most significant matters reported in the Statement of Accounts including an explanation of the purpose of each of the core statements.
- 6.4 One of the key statements is the Balance Sheet which comprises two main balancing parts, Net Assets and Total Reserves, which represents the Authority's financial position as at the 31st March 2024.

- 6.5 The Net Assets section of the Balance Sheet shows the Authority's assets including Property, Plant and Equipment, Investments and Debtors and liabilities including Short and Long-term Borrowing and Creditors. The Authority's Balance Sheet reports negative Net Assets (i.e. net liabilities) and this is because of an accounting requirement in relation to pensions. This requires authorities to report the total pension liability if this was to be paid out in full as at 31st March 2024 i.e. if all employees and former employees drew down their current full pension entitlement as at 31st March 2024. In practice this situation would never arise and contributions to the pension schemes are adjusted over a period of time to mitigate the liability and are included as part of the budget setting process. For the Fire Fighters Pension Scheme the contributions include "Pension Top-up Grant" paid by the Government.
- 6.6 The Total Reserves section of the Balance Sheet is made up of Usable and Unusable Reserves. Unusable Reserves cannot be used to support services and include notional accounting gains and losses. These accounting gains and losses are referred to as unrealised. Included within Unusable Reserves is a negative Pension Reserve offsetting the pension liability outlined above.
- 6.7 Usable reserves are those which the authority can utilise to support future service provision and full details of these reserves are included in **note 22, page 52 of Appendix A**. This note provides a detailed explanations of each of the reserves held by the Authority and the most important reserve is the Budget Support Fund which is earmarked to manage financial risk and uncertainty.
- 6.8 The Usable Reserves as at 31st March 2024 reflect the review of risks and reserves undertaken as part of the 2024/25 budget process. This position will be updated as part of the 2025/26 budget process and details will be reported to the full Authority.

7. ANNUAL GOVERNANCE STATEMENT

- 7.1 The CFA has a statutory responsibility to ensure that its financial management is adequate and that there is a sound system of internal controls to facilitate the effective delivery of its functions, including arrangements for the management of risk. The Annual Governance Statement (AGS) is published as part of the Authority's Financial Statements and is detailed on pages **82 to 87 of Appendix A** and summarises the results of the annual review of internal controls. The AGS's primary function is to assess the adequacy of the Authority's governance arrangements, identify where those arrangements need to be improved and communicate to users and stakeholders how those improvements can be made, and that better governance leads to better quality public services.
- 7.2 As Treasurer to the Fire Authority, I am responsible for conducting, annually, a review of the effectiveness of the Annual Governance Statement (AGS). The Annual Governance Statement has been reviewed and all significant internal control issues identified and updated.
- 7.3 The 2023/24 AGS assessment takes account of all recent internal and external assessments, inspections and audits.

- 7.4 No significant governance issues have been identified for 2023/24. However, in the interests of improving and developing governance arrangements a Governance Improvement Action Plan has been produced and included in the 2023/24 AGS. Progress will be monitored through the Authority's Performance Monitoring and Management System, with progress reports, circulated during 2023/24, to Officers and Members, enabling scrutiny through the Audit and Governance Committee.
- 7.5 An Internal Audit Review of the Fire Authority's Annual Governance Statement has been undertaken and a copy of the resulting letter from the Head of Audit and Governance is attached at **Appendix B** and states:
- Key systems are operating soundly and that there is no fundamental breakdown in controls resulting in material discrepancy. Satisfactory arrangements were implemented to ensure the effective, efficient and economic operation of Cleveland Fire Authority's financial affairs.

8. CONCLUSIONS

- 8.1 The 2023/24 Financial Report has been prepared in accordance with the relevant accounting standards. The report enables the Audit and Governance Committee to review the draft Financial Report.
- 8.2 The draft Financial Report detailed in **Appendix A** will be subject to independent audit by Forvis Mazars and details of any material amendments will be reported to Audit and Governance Committee later in the year.
- 8.3 The Chartered Institute of Public Finance and Accountancy has issued a checklist of questions Members may wish to ask to assist in the understanding of an Authority's financial statements. This has been included at **Appendix C** and Members are advised that the Authority's Financial Report complies with these requirements.

IAN HAYTON
CHIEF FIRE OFFICER

CHRIS LITTLE
TREASURER