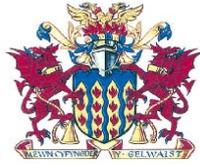


**AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU**



**NORTH WALES FIRE AND RESCUE AUTHORITY**

**The AUDIT COMMITTEE meeting will be held MONDAY 24 JANUARY 2022 at 9.30am via Zoom.**

Yours faithfully

Gareth Owens  
Clerk

**AGENDA**

**1. Apologies**

**2. Declarations of Interests**

**3. Notice of Urgent Matters**

Notice of items which, in the opinion of the Chairman, should be considered at the meeting as a matter of urgency pursuant to Section 100B (4) of the Local Government Act, 1972.

**4. Minutes of the meeting held on 18 October 2021**

**5. Matters arising**

**6. Capital Strategy and Treasury Management**

**7. Update from the Internal Audit Department (verbal)**

**8. Annual Audit Summary**

**9. Financial Regulations**

**10. Urgent Matters**

To consider any items which the Chair has decided are urgent (pursuant to Section 100B (4) of the Local Government Act, 1972) and of which substance has been declared under item 3 above.

**PART II**

It is recommended pursuant to Section 100A (4) of the Local Government Act, 1972 that the Press and Public be excluded from the meeting during consideration of the following item(s) of business because it is likely that there would be disclosed to them exempt information as defined in Paragraph(s) 12 to 18 of Part 4 of Schedule 12A of the Local Government Act 1972.

**No items.**

## NORTH WALES FIRE AND RESCUE AUTHORITY AUDIT COMMITTEE

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 18 October 2021 via Zoom. Meeting commenced at 9.30am.

### PRESENT

#### Councillors:

W O Thomas (Chair)	Flintshire County Council
B Apsley	Wrexham County Borough Council
B Blakeley	Denbighshire County Council
A I Dunbar	Flintshire County Council
S Lloyd-Williams	Conwy County Borough Council
G Lowe	Wrexham County Borough Council
W P Shotton	Flintshire County Council
D Wisinger	Flintshire County Council

### ALSO PRESENT:

H MacArthur (Assistant Chief Fire Officer); S Morris (Assistant Chief Officer); M Georgiou (Deputy Monitoring Officer); G Williams (Accountancy and Exchequer Services, Conwy County Borough Council); K V Williams (Audit Department, Conwy County Borough Council); M Edwards (Audit Wales); Jodie Williams (Audit Wales); H Howard (Head of Finance); A Davies (Member Liaison Officer).

### 1 APOLOGIES:

B Parry-Jones	Wrexham County Borough Council
G A Roberts	Gwynedd Council
K Finch	Treasurer

### 2 DECLARATIONS OF INTEREST

2.1 None.

### 3 MINUTES OF THE MEETING HELD ON 26 JULY 2021

3.1 The minutes of the meeting held on 26 July 2021 were submitted for approval.

3.2 **RESOLVED to approve the minutes of the last meeting as a correct record.**

#### 4 MATTERS ARISING

4.1 There were no matters arising.

#### 5 AUDITED STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2020/21

5.1 ACFO MacArthur presented the audited Statement of Accounts for 2020/21 including the Annual Governance Statement to Members. The report also presented the findings of the Auditor General for Wales which confirmed an unqualified audit opinion.

5.2 It was noted that the Audit Committee's task was to ensure effective scrutiny of finance reports and, based on its findings, make recommendations to the Executive Panel.

5.3 The draft accounts were submitted for audit on 28 May 2021. These confirmed net expenditure of £38.55m, with a contribution to the General Fund of £0.063m. The final audited position remains unchanged. The Authority's Annual Governance Statement demonstrated compliance with the CIPFA/Solace Delivering Good Governance in Local Government Framework (2016). The report issued by Audit Wales on behalf of the Auditor General for Wales confirmed an unqualified audit opinion.

5.4 In terms of the timescales, it was noted that the Accounts and Audit (Wales) (Amendment) Regulations 2010 required that the audited accounts and annual governance statement normally be approved by Members by 31 July. However, due to the pandemic, these timescales have been extended to 30 November 2021.

5.5 M Edwards from Audit Wales detailed the work undertaken by auditors on the statement of accounts. The report highlighted that a number of misstatements had been identified which had then been corrected by management. Two misstatements identified by auditors remained uncorrected and the auditor confirmed that these were not material but needed to be drawn to Members' attention due to their relevance to Members' responsibilities over the financial reporting process. Members noted the summary of corrections that had been made and recognised the importance of learning from these for future reports.

5.6 Cllr Lloyd-Williams wished to place on record the Committee's appreciation for the officers' work in preparing such detailed accounts and recognised the efforts involved in co-operating with Audit Wales despite Covid pressures and restrictions.

## 5.7 **RESOLVED to**

- (i) note the audited outturn position and performance as detailed within the 2020/21 Statement of Accounts;**
- (ii) note the governance arrangements and action plan as outlined within the 2020/21 Annual Governance Statement;**
- (iii) note the report of the Auditor General for Wales which confirms an unqualified audit opinion;**
- (iv) note the proposed letter of representation; and**
- (v) confirm the recommendation of approval of the final audited 2020/21 Statement of Accounts to the Executive Panel at its meeting on 18 October 2021.**

## 6 TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS

6.1 G Williams presented an update to Members on the Capital and Treasury Management Strategy for 2021/22 including revisions to the Prudential Indicators.

6.2 The Capital and Treasury Management Strategy for 2021/22 was approved by the Authority on 15 March 2021. It was noted that the Prudential Indicators estimated for 2021/22 had been revised to reflect the current capital expenditure forecast for the 2021/22 financial year.

6.3 **RESOLVED to note the current borrowing and investment positions and approve the revised Prudential Indicators as set out in the report.**

## 7 BUDGET SETTING 2022/2023

7.1 ACFO MacArthur presented the report which provided information about the budget process, planning assumptions and timescales for setting the Fire and Rescue Authority's revenue budget for 2022/23.

7.2 Members were reminded that the Authority is required to set the revenue budget for 2022/23 at its meeting on 20 December 2021. The preliminary work required to establish the base budget has commenced which includes a review of current expenditure levels, key planning assumptions and risks.

7.3 Members were complimentary about the report. One Member commented that it was important to look at the risks and uncertainties in a proactive way and that the Authority needed to move forward safely and robustly.

7.4 ACFO MacArthur informed Members that she had met with Directors of Finance for all local authorities in North Wales and explained the Authority's process including the need to revise the budget to address the challenges being faced. Members were reminded of the challenges outlined by the Chief Fire Officer at the Fire Authority meeting in September 2021. These will be progressed at the members' workshop to be held on 2 November and included in the budget presented to members in December 2021.

7.5 Members felt that the Authority and Service should be promoting the excellent work being undertaken far more in order for the public to realise the amount of work the Service does on its own and within various partnerships.

7.6 **RESOLVED to**

- (i) note the planning assumptions being used to set the revenue budget for 2022/23; and**
- (ii) note the proposal to seek approval for the 2022/23 revenue budget by the Authority at its meeting of 20 December 2021.**

Report to	<b>Audit Committee</b>	
Date	<b>24 January 2022</b>	
Lead Officer	<b>Helen MacArthur – Assistant Chief Fire Officer</b>	
Contact Officer	<b>Graham Williams (01745 535286)</b>	
Subject	<b>Capital Strategy 2022/23 – 2024/25</b>	

## PURPOSE OF REPORT

- 1 The purpose of this report is to present to members the Capital Strategy (the Strategy) for the period April 2022 – March 2025.

## EXECUTIVE SUMMARY

- 2 The Strategy provides an overview of the planned future capital expenditure, capital financing and treasury management activity necessary to achieve the objectives of the North Wales Fire and Rescue Authority (the Authority). The Strategy also provides assurances on how associated risk is managed and the implications for future financial sustainability. It summarises the overall processes and procedures that govern the purchase and financing of assets in order to enhance members' understanding of these sometimes technical areas. The report also includes the Prudential Indicators and Treasury Strategies that need approval by the Fire and Rescue Authority
- 3 The Strategy has been developed following the approval of the revenue and capital budgets for 2022/23, which confirmed a net revenue budget of £39.41m with a further £2.916m approved for capital expenditure.

## RECOMMENDATIONS

- 4 Members are asked to:
  - (i) note the overall Capital Strategy; and
  - (ii) recommend approval by the Fire and Rescue Authority.

## BACKGROUND

- 5 The Audit Committee has been tasked with ensuring effective scrutiny of the treasury management strategy and policies and based on its findings make recommendations to the Fire and Rescue Authority.

## INFORMATION

- 6 The Committee should note that the strategies in the report have been prepared using guidance from the Treasury Management advisors, Arlingclose, used by Conwy County Borough Council who has the responsibility for the Fire Service Treasury function.

## IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objectives, by ensuring that the purchase of assets to support front line service delivery is prudent, affordable and sustainable. The Capital Strategy is designed to ensure that there is sufficient investment in infrastructure to enable the service to provide emergency responses and prevention work well in to the future.
Budget	The Capital Strategy is linked to the revenue and capital budget setting which considers longer term affordability
Legal	The regulatory framework is set out in the appendices to the report.
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	The reports sets out the financial risks associated with borrowing and investment activities.

## CAPITAL STRATEGY

This document sets out the Capital Strategy (the Strategy) for North Wales Fire and Rescue Authority (the Authority) for the financial years 2022/23 through to 2024/25.

The report provides a high-level overview of capital expenditure, capital financing and treasury management activity.

### 1.0 Capital Expenditure Plans

Capital expenditure is where the Authority spends money on assets which will be used over a period exceeding one year. This will include amounts spent on buying assets such as property, vehicles or equipment but may also include expenditure on upgrading existing assets. The underlying assets are generally owned by the Authority but capital expenditure may also be incurred on assets owned by other bodies or relate to loans or grants issued to other bodies to enable them to buy assets.

The Authority follows the CIPFA Code of Practice on Local Authority Accounting which includes some limited discretion on what counts as capital expenditure. For example, assets costing below £5,000 are not capitalised and are charged directly to the revenue account in the year that the expenditure is incurred. The Authority's Financial Regulations contain the key controls and confirm that all expenditure must be in accordance with the Authority's Contract Procedure Rules.

The details of the Authority's policy on capitalisation and the treatment of assets for accounting purposes is included as an appendix to the Statement of Accounts under 'Statement of Accounting Policies'. The accounts are published on the Fire Service website every year - <https://www.northwalesfire.gov.wales>

The Authority's Medium Term Financial Strategy recognises the need for continued investment in buildings, vehicles, ICT assets and equipment to ensure that the Authority is able to achieve its stated objectives. Governance arrangements are in place to ensure that all expenditure is aligned to the corporate priorities which are set out in the Authority's Improvement and Well-being Plan.

The capital expenditure detailed below forms part of the Authority's Medium Term Financial Strategy and was approved by the Fire and Rescue Authority in December 2021. Since the approval further work has been completed in relation to the capital plan for 2023/24 and 2024/25 to ensure the plan continues to be affordable. The revised capital expenditure is detailed below.

	2020/21 Actual £'000	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Capital expenditure	0	1,027	2,916	3,620	3,630

## 2.0 Borrowing Need: Capital Financing Requirement (CFR)

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. This increases when further expenditure is funded by borrowing and reduces when debt is repaid using capital receipts and Minimum Revenue Provision (MRP).

As part of the process for establishing the capital expenditure plans, it is important that the Authority considers how such expenditure will be financed and the affordability of these decisions over the lifetime of the asset. Capital expenditure may be financed from internal sources such as revenue budgets, capital receipts or usable reserves or from external sources such as borrowing, leasing or grants.

Borrowing is only a temporary source of finance and must be repaid during the lifetime of the asset. A financing charge is made to the Authority's revenue accounts each year which is known as the minimum revenue provision (MRP).

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.

The Authority's Capital Financing Requirement (CFR) is set out in the table below:

	2020/21 Actual £'000	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Opening CFR	31,744	29,385	28,411	29,389	30,943
Closing CFR	29,385	28,411	29,389	30,943	32,469
Movement in CFR	(2,359)	(974)	978	1,554	1,526

Movement in CFR represented by:

Net financing need for the year (Capital expenditure)	0	1,027	2,916	3,621	3,630
Less MRP/VRP	(2,105)	(2,001)	(1,938)	(2,067)	(2,104)
Prior Year Adjustment	(254)	0	0	0	0
Movement in CFR	(2,359)	(974)	978	1,554	1,526

From the 2022/23 financial year the way leases are accounted for is changing under IFRS16. This will possibly result in some expenditure on leases being classed as capital expenditure. If this has any impact on the above CFR figures, revised indicators will be submitted at a later date.

### 3.0 Revenue Budget Implications of Capital Decisions

Capital expenditure is not charged directly to the revenue budget. Instead an annual charge is made to the revenue account for using the capital assets. This charge to revenue reflects the repayment of a proportion of the borrowing incurred to buy the underlying capital assets. The charge to revenue is known as the minimum revenue provision (MRP) and forms part of the capital financing charge. The capital financing charge also includes the interest cost of borrowing but may be offset by any receivable investment income.

The Local Government Act 2003 does not specify how the MRP should be calculated but the Authority must consider the Welsh Government guidance which was issued in 2018. The broad aim of the guidance is to ensure that over the life of the asset the charges made to the Authority's revenue account reflect the underlying costs and finance charges. Thus the full cost of capital decisions will be reflected in the Authority's revenue position.

The Authority's MRP Policy is set out below which is consistent with the Welsh Government guidance and reflected in the Medium Term Financial Strategy approved in December 2021:

- The MRP will be calculated by charging the expenditure over the expected useful life of the asset as determined by the Authority's Financial Accounting Policies. The charge will be made in equal instalments and commence in the year after the asset became operational.

The revenue impact of the capital investment plans are outlined below

	<b>2020/21 actual (£'000)</b>	<b>2021/22 forecast (£'000)</b>	<b>2022/23 estimate (£'000)</b>	<b>2023/24 estimate (£'000)</b>	<b>2024/25 estimate (£'000)</b>
Minimum Revenue Position	2,104	2,000	1,938	2,067	2,104
Financing costs	380	324	325	375	375
<b>Total charge to revenue</b>	<b>2,484</b>	<b>2,324</b>	<b>2,263</b>	<b>2,442</b>	<b>2,479</b>

### 4.0 Affordability and Sustainability of Capital Plans

Due to the long-term nature of capital assets, the decisions made in relation to capital expenditure will have a revenue consequence for a number of years. The actual number of years is dependent on the type of asset although in respect of buildings this may extend to 50 years. Therefore, the capital planning process must have due regard for the longer term affordability and sustainability of capital expenditure and financing decisions.

The Financial Regulations include controls to ensure that all proposals are subject to appropriate scrutiny and approval. In addition, the Authority has adopted affordability indicators to provide insight into the impact of capital investment plans on the Authority's overall revenue position

The core measure is the actual and estimated financing costs as a percentage of all of the Authority's revenue costs. This identifies the trend in the cost of capital (borrowing and other long term obligation costs) against the expected revenue streams within the medium term financial plans.

	<b>2020/21 Actual %</b>	<b>2021/22 Revised %</b>	<b>2022/23 Estimate %</b>	<b>2023/24 Estimate %</b>	<b>2024/25 Estimate %</b>
Ratio	6.9%	6.3%	5.7%	6.0%	5.9%

## **5.0 Treasury Management Strategy**

The Authority's treasury management arrangements are a key component of the capital strategy and reflect the management of cash flows for both revenue and capital expenditure requirements.

The Authority's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). The Code requires that the Treasury Management Strategy is reported to the Authority on an annual basis. The Treasury Management Strategy sets out how the Authority will meet the funding requirements established within the capital expenditure plans.

A key requirement of the strategy is to explain both the risks, and the management of the risks, associated with treasury activities and set out the Authority's risk appetite and control measures.

## **6.0 Borrowing Strategy 2022/23**

The main objectives when borrowing are to achieve low rates, reduce risks and maintain flexibility. These objectives are often conflicting, and it is necessary to achieve a balance between cheap short-term loans (currently available at around 0.15%) and long-term fixed rate loans where the future cost is known but higher (currently 1.4% for 5 years to 1.85% for 20 years).

The Treasurer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account any risks and in accordance with the following controls.

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the table below, the Authority expects to comply with this in the medium term.

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt, as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy has been prudent as investment returns have been low.

Level of Debt	2021/22 Revised £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
CFR	29,385	29,389	30,943	32,469
Borrowings	22,918	23,895	25,449	26,975

### Affordable Borrowing Limit

It is important that the Authority sets limits to ensure that the borrowing is carefully managed and this is achieved through two key indicators:

- **The Operational Boundary** – this indicator is based on the probable external debt during the course of the year; it is not a limit. Actual external debt could vary around this boundary for short times during the year. It should act as a monitoring indicator to ensure the authorised limit is not breached.
- **The Authorised Limit** – this represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Authority. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

The following limits are in place for the periods 2022/2025:

	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Operational Boundary	29,385	29,389	30,943	32,469
Authorised Limit	31,385	31,389	32,943	34,469

### Economic Background

The ongoing impact on the UK from coronavirus, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.

The Bank of England (BoE) increased Bank Rate to 0.25% in December 2021. The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will continue to rise in calendar Q1 2022 (rise to 0.50%) to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively.

## 7.0 Investment Strategy

When cash balances are higher than expected cash outflows, the Authority is able to invest surplus cash. These investments are short term in nature and incidental to the Authority's core business. Therefore, all investment decisions should aim to reduce risk rather than maximise returns and liquidity is a priority.

The Authority's investment strategy primarily seeks to safeguard the principal invested and ensure that it is available in a timely manner when required. The investment returns are a secondary consideration.

Current investments are detailed below:

	<b>2021/22 Revised £'000</b>	<b>2022/23 Estimated £'000</b>	<b>2023/24 Estimated £'000</b>	<b>2024/25 Estimated £'000</b>
Total Investments	<b>825</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Treasurer will maintain a list of all the financial institutions which the service can utilise for investing funds. The counterparty list will be subject to the following criteria:

<b>Institution</b>	<b>Description</b>	<b>Limit</b>
<b>Banks</b>	All UK banks and their subsidiaries that have good ratings (Fitch or equivalent). This is currently defined as long term (BBB)	£5m
<b>Central Government</b>	Debt management Office	Unlimited
<b>Money Market Funds (MMF)</b>	Only in conjunction with advice from Arlingclose.	£1m per fund
<b>Local Authorities</b>	All except those subject to limitation of council tax and precepts under Part 1 of the Local Government Finance Act 1992.	£2m
<b>Building Societies</b>	Building societies with a rating (as for the banking sector).	£2m
<b>Building Societies (Assets £1bn)</b>	Building societies without a rating but with assets of £1billion or more.	£2m/ 9 months

## **8.0 Governance Arrangements**

The governance framework for the capital strategy is underpinned by a number of codes of practice as outlined within this document. The Prudential Indicators are monitored and reported to the Audit Committee during the financial year with variances highlighted and investigated.

Control and oversight is maintained by the Treasurer with day to day decision making delegated to officers. The capital expenditure plans are managed by the Service, with financing and treasury management arrangements delegated to Conwy County Borough Council as part of the Financial Services contract.

Officers and staff are supported through the appointment of professional advisors, Arlingclose Limited who provide professional Treasury Management services, thus ensuring appropriate risk management.

## **9.0 Prudential Indicators**

The Local Government Act 2003 requires the Authority to adopt the CIPFA Prudential Code for Capital Finance. The key objective of the Prudential Code is to ensure that the capital investment plans of the Authority are affordable, prudent and sustainable.

To aid those charged with governance, the Prudential Code requires the adoption of indicators which either summarise the expected capital activity or introduces limits upon that activity. These indicators reflect the outcome of the Authority's capital appraisal systems and ensures that controls are in place, including appropriate risk awareness and management.

The table below confirms the indicators for the following 3 years. These indicators provide the framework of control for the Authority.

		<b>2021/22 Forecast (£'000)</b>	<b>2022/23 Budget (£'000)</b>	<b>2023/24 Budget (£'000)</b>	<b>2024/25 Budget (£'000)</b>
1	Capital Expenditure	1,027	2,916	3,620	3,630
2	Capital Financing Requirement	29,385	29,389	30,943	32,469
3	Authorised Limit	31,385	31,389	32,943	34,469
4	Operational Boundary	29,385	29,389	30,943	32,469
5	Ratio of Financing Costs to Net Expenditure	6.3%	5.7%	6.0%	5.9%
6	Investments	825	0	0	0
7	Fixed Interest rate loans as a % of Total Borrowing	Minimum 65% Maximum 100%			
8	Variable rate loans as a % of Total Borrowing	Minimum 0% Maximum 35%			
9	Maturity Structure of Fixed Rate Borrowing				
		<b>Upper Limit</b>		<b>Lower Limit</b>	
	Under 12 months	60%		0%	
	12 months to 2 years	45%		0%	
	2 years to 5 years	45%		0%	
	5 years to 10 years	75%		0%	
	10 years and above	100%		0%	

## North Wales Fire and Rescue Authority Annual Audit Summary 2021

This is our audit summary for North Wales Fire and Rescue Authority. It shows the work completed since the last Annual Audit Summary, which was issued in January 2021. Our audit summary forms part of the Auditor General for Wales' duties.



More information about these duties can be found on our [website](#).

### About the Fire and Rescue Authority

#### Some of the services the Fire and Rescue Authority provides



#### Key facts

Fire and Rescue Authorities (FRAs) consist of nominated elected members, representing the local authorities across the FRA area as a whole.

North Wales FRA is made up of 28 councillors who represent their political parties and their constituent authorities as follows:

- Anglesey County Council [3]
- Conwy County Borough Council [5]
- Denbighshire County Council [4]
- Flintshire County Council [6]
- Gwynedd Council [5]
- Wrexham County Borough Council [5]

The FRA spent £34.6 million on providing services (excluding the cost of capital financing) during 2020-21 which is a 0.2% decrease on 2019-20<sup>1</sup>.

<sup>1</sup> Source: 2020-21 Statement of Accounts

## Key facts

As at 31 March 2021, the Authority had £4.9 million of useable financial reserves. This is equivalent to 14.2% of the Authority's annual spending on services, the lowest of the 3 Fire and Rescue Authorities in Wales.

FRA's have a statutory obligation under the Fire and Rescue Services Act 2004 to maintain a Fire and Rescue Service capable of dealing effectively with all calls for assistance in the case of fire and other emergencies.

The Welsh Government has overarching responsibility for determining policy on FRA's. At a local level, FRA's must meet the requirements of the Local Government (Wales) Measure 2009 and the Well-being of Future Generations (Wales) Act 2015, as well as the National Framework for Fire and Rescue Services, which is currently being reviewed by Welsh Government

Most of the funding for the three FRA's in Wales is received by way of a levy from the local unitary authorities within their area. The contribution is based on population numbers.

## The Auditor General's duties

### We completed work during 2020-21 to meet the following duties

- **Audit of Accounts**

Each year the Auditor General audits the Authority's financial statements to make sure that public money is being properly accounted for.

- **Continuous improvement**

The Authority also has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Authority has met these requirements.

- **Value for money**

The Auditor General examines whether the Authority has put in place arrangements to get value for money for the resources it uses, and he has to be satisfied that it has done this.

- **Sustainable development principle**

Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.



We continue to recognise the huge strain on public services and to work in a way that seeks to reduce the impact on public bodies' response to COVID-19, while still meeting our statutory duties.



**To meet the Auditor General's duties we complete specific projects. We take the findings of our audit work into account when assessing whether the Authority has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.**

## What we found

### **Audit of North Wales Fire and Rescue Authority's 2020-21 Accounts**

Each year we audit the Authority's financial statements.

#### **For 2020-21:**

- The Auditor General gave an unqualified true and fair opinion on the Authority's financial statements on 22 October 2021, in advance of the statutory deadline.
- The Authority's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.
- We acknowledged that the Authority made good progress in improving the quality of its financial statements in previous years and had to respond to the challenges posed by the Covid-19 pandemic on its closedown arrangements, but the draft statements presented for audit on 28 May 2021 still contained a large number of errors and inconsistencies.
- A number of changes were made to the Authority's financial statements arising from our audit work, which were reported to the Audit Committee and Executive Panel in our Audit of Financial Statements Report in October 2021.
- The Auditor General issued the certificate confirming that the audit of accounts for 2020-21 has been completed.

## Our work in response to the COVID-19 pandemic

In response to the COVID-19 pandemic, we changed the approach and focus of our performance audit work in local government and other bodies. Below is a summary of some of the work we have undertaken in response to the pandemic across a number of sectors, much of which is of relevance to local government.

We undertook a project to support public sector efforts by sharing learning through the pandemic. The project aims to help prompt some thinking, and practise exchange. [Further information is available on our website.](#)

In March 2021, we published a [national report](#) setting out an overview of progress to date on Test, Trace, Protect in Wales. In December 2020, we also published some [observations](#) of the Auditor General on the procurement and supply of PPE during the COVID-19 pandemic, followed by a [report](#) in April 2021. In June 2021, we also published our [report](#) on the rollout of the COVID-19 vaccination programme in Wales.

## Continuous improvement

The Auditor General certified in November 2021 that the Authority has met its legal duties for improvement planning and reporting and believes that it is likely to have met the requirements of the Local Government (Wales) Measure 2009 during 2020-21.

## Well-being of Future Generations Examination – Corporate Resilience in North Wales Fire and Rescue Authority

In 2020-21 we undertook a review of corporate resilience at the Authority to provide assurance on how well it is addressing the financial and capacity challenges it faces. Our [report](#) concluded that, overall, the Authority has demonstrated its short-term resilience but needs to take some major decisions to remain resilient in the future.

## Local government studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report, we have published the following reports:

### Discretionary services (April 2021)

Financial pressures have led to councils reducing spending and cutting services, but the pandemic has shown local government services are essential to keeping people safe and healthy. We focussed on how councils define services, the systems and processes they have used to review services and how robust these are. Demand for some essential services is continuing to increase and councils are not confident that they can continue to deliver these services in the face of this rising and complex demand. Councils need to take the opportunity to refresh, reevaluate and reset what they do and to learn from the pandemic to build a better future. Our [report](#) was published in April 2021.

## Regenerating town centres in Wales (September 2021)

Between 1950 and 1980, local authorities prioritised regeneration of town centres creating new and greater retail space. However, past policy choices, changing consumer expectations and technological advances are now adversely affecting many Welsh town centres. And the pandemic has created challenges for local government and central government, with one in seven shops on Welsh high streets now empty, despite the Welsh Government investing and leveraging in £892.6 million in the last seven years. Local authorities do not have the capacity to respond to this situation and are not always using the powers they have to help regenerate towns. To deliver the best local outcomes, policies and joint working need to be aligned and integrated, and resources prioritised on town centres. Our [report](#) was published in September 2021.

## Planned work for 2021-22

We also looked at the key challenges and opportunities facing the Authority. These could have an effect on the Authority's ability to meet its legal obligations in relation to the sustainable development principle and the use of its resources.

The most significant risk and issue facing authorities and the wider public sector during 2021-22 continues to be the COVID-19 pandemic. We have shaped our work to provide assurance and challenge in a way which helps to support the Authority through this period. Our work for 2021-22 includes a review of the Authority's progress in achieving carbon neutrality.

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, fire and rescue authorities, national parks, and community councils. He also conducts local government value for money studies, assesses compliance with the remaining requirements of the Local Government (Wales) Measure 2009 and may undertake special inspections under the Local Government and Elections (Wales) Act 2021.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Senedd Commission, and National Health Service bodies in Wales.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

Report to	<b>Audit Committee</b>
Date	<b>24 January 2022</b>
Lead Officer	<b>Helen MacArthur – Assistant Chief Fire Officer</b>
Contact Officer	<b>Helen Howard</b>
Subject	<b>Financial Regulations</b>



## PURPOSE OF REPORT

- 1 The purpose of this report is to present the Financial Regulations for consideration by Members of the Audit Committee.

## EXECUTIVE SUMMARY

- 2 The Constitution of the North Wales Fire and Rescue Authority (the Authority) sets out the arrangements for decision making and ensures transparency and accountability. The Financial Regulations are contained within the Constitution and provide the governance framework for financial matters.
- 3 The Financial Regulations (the Regulations) have been reviewed and revised to ensure that the Authority complies with the Cipfa Financial Management Code.

## RECOMMENDATIONS

- 4 Members are asked to:
  - (i) note the proposed Financial Regulations; and
  - (ii) recommend approval by the Fire and Rescue Authority.

## BACKGROUND

- 5 The Authority is required to make proper arrangements to demonstrate that:
  - business is conducted in accordance with all relevant laws and regulations;
  - public money is safeguarded and properly accounted for ; and
  - resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

- 6 The CIPFA Financial Management code also requires authorities to have robust financial arrangements in place and confirms that the financial regulations are pivotal to achieving this.
- 7 These Regulations, therefore, provide the governance framework which sets out how the Authority manages its finances and underpins all financial decision making.

## INFORMATION

- 8 The overall purpose of these Regulations is to provide sound arrangements for internal financial management, accounting and control. Operation of these Regulations promotes value for money and compliance with the Authority's legal and financial obligations.
- 9 The proposed Regulations are set out in Appendix 1. These have been reviewed and revised to ensure that they are consistent with the current operating environment of the Authority and provide a comprehensive mechanism for the management of financial risk.

## IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objectives, by ensuring that financial decisions are sound, affordable and sustainable. The Regulations are designed to ensure that there is sufficient internal controls and financial management to enable the service to provide emergency responses and prevention work well in to the future.
Budget	The Regulations provides the financial government framework which governs all financial decisions.
Legal	The adherence to these Regulations supports achievement of the Authority's legal objectives.
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	The Regulations address known risks and includes the framework of delegation for decision making.