

Mae'r ddogfen hon argael yn Gymraeg

AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU



NORTH WALES FIRE AND RESCUE AUTHORITY
The AUDIT COMMITTEE meeting will be held
MONDAY 18 OCTOBER 2021 at 9.30am via Zoom.

Yours faithfully

Colin Everett
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 26 July 2021

5. Matters arising

6. Audited Statement of Accounts and Annual Governance Statement 2020/21

7. Treasury Management and Prudential Indicators

8. Budget Setting 2022/23

9. 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 26 July 2021 via Zoom. Meeting commenced at 9.30am.

PRESENT

Councillors:

B Apsley (Chair)	Wrexham County Borough Council
A I Dunbar	Flintshire County Council
G Lowe	Wrexham County Borough Council
B Parry-Jones	Wrexham County Borough Council
G A Roberts	Gwynedd Council
W P Shotton	Flintshire County Council
D Wisinger	Flintshire County Council

ALSO PRESENT:

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

1 APOLOGIES:

B Blakeley	Denbighshire County Council
S Lloyd-Williams	Conwy County Borough Council
W O Thomas	Flintshire County Council
G Owens	Deputy Monitoring Officer

2 DECLARATIONS OF INTEREST

2.1 None.

3 MINUTES OF THE MEETING HELD ON 25 JANUARY 2021

3.1 The minutes of the meeting held on 25 January 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 STATEMENT OF ACCOUNTS AND THE ANNUAL GOVERNANCE STATEMENT 2020/21

5.1 Matthew Edwards from Audit Wales gave a verbal update about the latest position with approving the statement of accounts for 2020/21. He stated that Audit Wales officers were still in discussion with NWFRS management about a number of issues and therefore were not yet able to provide an audit opinion. It was noted that the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404 has extended the publication date of the Accounts to 30 November. Mr Edwards confirmed that Audit Wales' proposed opinion will be available for the next Audit Committee and ready for final approval at the next Executive Panel meeting on 18 October.

5.2 **RESOLVED to note the update.**

6 TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS FOR 2020/2021

6.1 Graham Williams from CCBC presented the report which informed Members of the Authority's borrowing position and final prudential indicators for North Wales Fire and Rescue Authority (the Authority) for the 2020/21 financial year.

6.2 The Authority's borrowing reduced in 2020/21 as the capital programme had been delayed. Whilst some orders for new vehicles had been placed it was noted that due to COVID-19 and Brexit, there was a delay in the supply and these had been received after the year end. Expenditure delayed during 2020/21 had been reprogrammed for 2021/22.

6.3 It was confirmed that the capital programme needs to be financially sustainable over the lifespan of the assets – 18 years for appliances and 50 years for buildings and it is therefore important to have due diligence in place to ensure this is managed properly.

6.4 **RESOLVED to note the Treasury Management Activity and Actual Prudential Indicators for 2020/2021.**

7 INTERNAL AUDIT ANNUAL REPORT 2020/21

7.1 Keith Williams led Members through the report and appendices that analysed the work of the Internal Audit Service during 2020/21. It also provided assurance that the Authority has adequate and effective control processes to manage the achievement of its objectives for the year ending 31 March 2021.

- 7.2 Mr Williams wished to place on record his thanks to the staff in the various department who had co-operated well with him despite COVID-19 circumstances. It was noted that some audits required attending departments in person therefore the Stores audit had been postponed and will be undertaken during 2021/22.
- 7.3 Members considered the report to be generally favourable especially due to the issues caused by COVID-19 and it was therefore **RESOLVED to note the content of the Head of Audit and Procurement's Annual Report and the overall 'opinion' upon the adequacy and effectiveness of the Authority's framework of governance, risk management and control.**

Report to	Audit Committee
Date	18 October 2021
Lead Officer	Ken Finch – Treasurer
Contact Officer	Ken Finch (01745 535286)
Subject	Audited Statement of Accounts and Annual Governance Statement 2020/21



PURPOSE OF REPORT

- 1 This report is to present to members the audited Statement of Accounts for 2020/21 including the Annual Governance Statement. This report also presents the findings of the Auditor General for Wales which confirms an unqualified audit opinion.
- 2 The Audit Committee has been tasked with ensuring effective scrutiny of finance reports and, based on its findings, make recommendations to the Executive Panel.

EXECUTIVE SUMMARY

- 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.
- 4 The Authority's Annual Governance Statement is set out in Appendix 2 and demonstrates compliance with the CIPFA/Solace Delivering Good Governance in Local Government Framework (2016).
- 5 The report issued by Audit Wales on behalf of the Auditor General for Wales is set out in Appendix 3 and confirms an unqualified audit opinion.
- 6 The Accounts and Audit (Wales) (Amendment) Regulations 2010 require that the audited accounts and annual governance statement are normally approved by Members by 31 July. However, due to the pandemic, these timescales have been extended to 30 November 2021.

RECOMMENDATION

7 Members are asked to:

- (i) note the audited outturn position and performance as detailed within the 2020/21 Statement of Accounts (Appendix 1);
- (ii) note the governance arrangements and action plan as outlined within the 2020/21 Annual Governance Statement (Appendix 2);
- (iii) note the report of the Auditor General for Wales which confirms an unqualified audit opinion (Appendix 3);
- (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.

BACKGROUND

8 In compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2010, the Authority has produced a statement of accounts and governance statement which were presented to the Authority at its meeting of the 21 June 2021. These have been subject to external audit and the appendices contain the final audited versions.

INFORMATION

REVENUE EXPENDITURE

9 Members of the Authority were presented with a financial performance report for 2020/21 at the Fire and Rescue Authority meeting on 21 June 2021. This confirmed the draft outturn position of net expenditure of £38.55m, with a contribution to the General Fund of £0.063m. The final audited position remains unchanged.

BALANCE SHEET

10 The Balance Sheet provides further information on the Authority's long term financial position and is contained on page 19 of the Accounts (set out in Appendix 1). The following paragraphs provide further information.

Fixed assets and borrowing

11 The final audited accounts confirmed that the Authority held assets of £40.01m as at 31 March 2021. A number of audit adjustments were identified in relation to the re-valuation of the Authority's land and buildings by the appointed external valuer. These adjustments have been actioned and work is ongoing to address this matter for future valuations.

- 12 The Authority is permitted to borrow to fund capital assets and as at 31 March 2021 the value of outstanding loans was £26.1m, which is in line with the limits set by the Authority.

Pension Liabilities

- 13 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 amounted to £337.32m at the balance sheet date.

Usable reserves

- 14 The Authority's usable reserves as at 31 March 2021 were £4.91m which included £1.45m of general fund reserves and £3.46m of earmarked reserves. The reserves policy was approved by the Authority at its meeting of 21 June 2021.

ANNUAL GOVERNANCE STATEMENT

- 15 Since 2010/11 all local government bodies have been required to prepare an Annual Governance Statement which is published as part of the Statutory Accounts.
- 16 The Annual Governance Statement has been prepared in accordance with the seven principles set out in the guidance document Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2016).
- 17 The Annual Governance Statement for 2020/21 is set out in Appendix 2. It provides an overview of the governance arrangements and confirms the work plan for 2021/2.
- 18 The Annual Governance Statement is reviewed by Audit Wales to confirm that it is consistent with its knowledge of the Authority. During the course of the audit, the auditor made a number of suggestions which have been incorporated into the final version. These included expanding the narrative in relation to action taken during the pandemic to ensure continuity of governance arrangements and also to reference the work of Audit Wales in relation to corporate resilience.

AUDIT OF THE FINANCIAL STATEMENTS

- 19 The Auditor General for Wales is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial performance and position of the Authority for the year ended 31 March 2021.
- 20 In performing the audit work, Audit Wales does not seek to provide absolute assurance but considers whether there are any material issues which may result in a reader of the accounts being misled. When an error or misstatement is identified Audit Wales will consider whether an amendment is required. Guidance on the approach is set out in Appendix 4.
- 21 The Auditor General for Wales proposes to issue an unqualified audit opinion which means that the accounts present a true and fair view of the financial transactions of the Authority. The report is contained within Appendix 3 and the following is noted:
- The audit report recognised the progress made in previous years to improve the quality of the financial statements and the challenges posed by Covid-19. However, additional work is required to further enhance the quality assurance arrangements to reduce the number of audit adjustments.
 - The audit identified a number of amendments which were agreed with management. The amendments did not impact on the Authority's reported position and included a number of technical adjustments necessary to fully comply with the Code of Practice on Local Authority Accounting.
 - The audit identified two matters which remained uncorrected. The first related to an insurance accrual of £0.06m which will be reversed during 2021/22 and is not considered material. The second item related to a single payment of £ 0.958m to Clwyd Pension Fund to address the deficit for the period 2021/22 through to 2023/24. In making a lump sum payment the Authority took advantage of reduced costs over the three year period and apportioned the payment over the relevant period. However, further work will be undertaken during 2021/22 to agree the technical accounting between the general fund and pension fund.
- 22 The Audit Report also contained the final letter of representation. This letter provides representation from the Chair and Treasurer to acknowledge their responsibilities and to confirm the arrangements for ensuring that the accounts provide a true and fair view.

IMPLICATIONS

Wellbeing 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 and Annual Governance Statement 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.

Report to	Audit Committee
Date	18 October 2021
Lead Officer	Ken Finch, Treasurer
Contact Officer	Graham Williams (01745 535286)
Subject	Treasury Management and Prudential Indicators



PURPOSE OF REPORT

- 1 To provide an update to Members on the Capital and Treasury Management Strategy for 2021/22 including revisions to the Prudential Indicators.

EXECUTIVE SUMMARY

- 2 The Capital and Treasury Management Strategy for 2021/22 was approved by the Authority on 15th March 2021. The Prudential Indicators (PIs) estimated for 2021/22 have been revised to reflect the current capital expenditure forecast for the 2021/22 financial year.

RECOMMENDATION

- 3 Members are asked to note the current borrowing and investment positions and approve the revised Prudential Indicators as set out in Appendix A.

BACKGROUND

- 4 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. As the Authority's capital programme is mainly funded through borrowing it is exposed to financial risks including the revenue effect of changing interest rates. Similarly, as surplus cash is invested there is a risk of loss to the Authority in the event that the funds are not returned. The successful identification, monitoring and control of financial risk is, therefore, central to the Authority's prudent financial management.
- 5 Treasury risk management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year and report any major variances. A key component of the Treasury Management Strategy is the approval of the prudential indicators. Prudential indicators provide a local framework to demonstrate that capital expenditure and financing decisions are affordable and that borrowing remains within prudent and sustainable levels.

INFORMATION

Prudential Indicators 2021/22

- 6 The Prudential Indicators (PIs) are set each year using the estimated outturn for the current year and the estimated capital programme for the forthcoming year. Due to slippage in the capital programme for 2020/21 and revision of the 2021/22 capital programme due to Covid-19 it has been necessary to revise the PIs to reflect current estimates.
- 7 An explanation of what each PI represents is detailed below:
- **Capital Financing Requirement** is a measure of the long term debt needed to support the Authority's capital programme;
 - **Operational Boundary** is a measure of the possible maximum external debt allowing for peaks and troughs in cashflows; and
 - **Authorised Limit** is an estimate of the maximum amount the Authority could borrow based on an assessment of operational requirements and external risks.
- 8 These three key indicators have all changed for 2021/22 due to the revisions to the Capital Programme for 2020-2021 and 2021/22.
- 9 The reduction in the Minimum Revenue Provision (MRP) has also impacted on the indicators, specifically the 'ratio of financing costs to the net revenue stream' has reduced the charge to revenue for capital expenditure due to the reduction of schemes in the capital programme.
- 10 Appendix A lists the indicators reported within the Capital and Treasury Management Strategy 2021/22 and the revised indicators.

Loans

- 11 The table below summarises the loans held by the Authority as at 30 September 2021:

Loan Provider	Total £'000
PWLB	14,723
Other Local Authorities	9,000
Total	23,723

Maturity Analysis – PWLB & Other Local Authorities		
Maturity	Total £'000	%
Within 1 Year	10,289	43
2 to 3 Years	6,070	26
4 to 5 Years	4,775	20
6 to 9 Years	173	1
10 Years and more	2,416	10
Balance	23,723	100

- 12 Where appropriate, short term loans are currently renewed on maturity with other local authorities depending on the interest rates available at that time. There is currently sufficient liquidity in the market to renew or replace maturing loans with local authorities. Current interest rates on short term borrowing are between 0.02% and 0.14%.
- 13 £4m of new PWLB loans have been taken out this year. The current PWLB rates start from 1.07% for 1 year loans. This is to maintain a balance between short and long term borrowing and remaining with the PIs approved by Members.
- 14 The Authority has approved an upper limit of 60% of the loan portfolio for the amount of loans maturing within 12 months. The current position is that the local authority loans will mature within 12 months and based on the current portfolio the Authority is within the limit set (see the table within paragraph 10).

Investments

- 15 To maintain adequate liquidity ratios the Authority retains sufficient cash funds to ensure payment of all obligations as they become due. Cash held for this purpose is invested for short periods of time. Surplus cash over immediate need is invested in accordance with the approved investment strategy.
- 16 The primary principle governing the Authority's investment criteria is the security of its investments. Currently any investments held are for cash flow purposes and any surplus cash above this is used to redeem short term loans that would have been required to fund the capital programme.

17 The investment strategy for 2021/22 included approval of the following criteria for counterparties:

- (1) Debt Management Office of the Treasury: limit £5m
- (2) Local Authorities (except rate-capped): limit £2m
- (3) All UK and Irish banks and their subsidiaries that have good ratings (Fitch or equivalent): limit £5m.

This is currently defined as:

Short term	F1
Long term	A-
Viability Rating	bbb

Banks whose ratings fall below those in the table above will be used if wholesale deposits are covered by a government guarantee, and the deposits fall within the terms of the guarantee.

- (4) Building Societies with a rating (as for the banking sector) all have a lending limit of £2m.
- (5) Building societies without a rating but with assets of £1 billion or more have a limit of £2m with a maximum time limit of 9 months.

18 The surplus cash is invested in two call accounts, Barclays and the Bank of Scotland, which allow instant access to funds. The investments held as at 30 September are detailed below.

Principal £'000	Rate %	Date of Loan	Period	Lender
1,850	0.01	N/A	Call	Bank of Scotland
1,210	0.01	N/A	Call	Barclays

Interest Rates

19 The table below tracks the interest rate changes since the 31 March 2020.

Call Account	Start of 2020/21 %	Mid Year 2020/21 %	Start 2021/22 %	Mid Year 2021/22 %
Bank of Scotland	0.0	0.05	0.01	0.01
Barclays	0.0	0.05	0.01	0.01

IMPLICATIONS

Wellbeing Objectives	This report links to NWFRA's long-term well-being objectives. Ensures that the purchase of assets to support front line service delivery is prudent, affordable and sustainable. 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 for capital financing in line with the Treasury report.
Legal	The regulatory framework is set out in paragraph 1.
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	Investment of surplus funds – there is a risk that the financial institution in which the service's funds are invested could fail with a loss of part of the principal invested. However, one of the purposes of the report is to mitigate this risk.

Appendix A

PRUDENTIAL INDICATORS

		2021/22 £'000	2022/23 £'000	2023/24 £'000
1	Capital Expenditure Original Indicator New Indicator	3,082 1,343	2,576 3,618	5,176 5,176
2	Capital Financing Requirement Original Indicator New indicator	31,505 28,727	31,839 30,351	34,640 33,355
3	Authorised Limit Original Indicator New indicator	33,505 30,727	33,839 32,351	36,640 35,355
4	Operational Boundary Original indicator New indicator	31,505 28,727	31,839 30,351	34,640 33,355
5	Ratio of Financing Costs to Net Revenue Stream Original Indicator New Indicator	7.4% 6.3%	7.6% 6.2%	7.6% 6.6%

Report to	Audit Committee
Date	18 October 2021
Lead Officer	Helen MacArthur
Contact Officer	Helen MacArthur, Assistant Chief Fire Officer (Finance and Resources) (01745 535258)
Subject	Budget Setting 2022/2023



PURPOSE OF REPORT

- 1 This report is to present to Members the budget process, planning assumptions and timescales for setting the Fire and Rescue Authority's (the Authority) revenue budget for 2022/23.

EXECUTIVE SUMMARY

- 2 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. A summary is provided in Appendix 1.

RECOMMENDATIONS

- 3 Members are asked 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.

BACKGROUND

- 4 Each year the Authority is required to set a balanced revenue budget which must be approved by the full Authority before the commencement of the financial year. Although the term "balanced" is not formally defined in the legislation, the Chartered Institute of Public Finance (CIPFA) recognises that organisations should have financial plans which demonstrate how expenditure will be funded over the short and medium term.
- 5 The Authority's financial sustainability in the short and medium term is underpinned by knowledge and understanding of key cost drivers including the evaluation of risks and uncertainties. Pivotal to this is an understanding of service demands, resources available and the future strategic vision.

- 6 Since taking up post on the 1 July 2021, the Chief Fire Officer has undertaken a series of meetings internally with staff, representatives of the Fire Brigades Union, other emergency service leaders as well as local Authority colleagues.
- 7 This work culminated in a presentation to Members on 20 September 2021 to discuss the situational assessment. This confirmed that the key challenges facing the Authority are maintaining sufficient availability of on-call fire crews; ensuring sufficient resources to maintain and develop firefighter skills; and having enough corporate capacity to meet current and future demand.
- 8 In addition to these specific areas of challenge, the Authority is also facing the uncertainties common to all public sector bodies as we emerge from the pandemic. In particular, the need for a localised and cohesive approach to partnership working whilst managing the impact of inflation, supply issues, increasing costs of national insurance and wage inflation.
- 9 Although the initial budget assessment for 2022/23 presented to the Authority in November 2020 indicated a net budget requirement of £38.08m, it will be necessary to revise this to fully reflect the issues identified.
- 10 The budget planning for the 2022/23 financial year will focus on the issues identified within the Chief Fire Officer's presentation of 20 September 2021. These risks and challenges will be further considered by Members of the Authority in a planning workshop to be held on the 2 November 2021.
- 11 Further work will be undertaken with the constituent local authorities to ensure that the Authority's budget requirements are fully communicated.

INFORMATION

- 12 Following further review, the initial planning assessment is being revised and additional information is provided within Appendix 1. The 2022/23 draft revenue budget will be prepared and considered for approval by the Authority at its meeting on 20 December 2021.
- 13 The situational assessment has identified challenges in relation to availability of retained stations, corporate capacity and training of firefighters. Following approval from the Authority, detailed reviews are being planned to provide further insight for medium and longer term planning. Short term actions are also required to address immediate pressures and this matter will be progressed with Members at the planning workshop in November 2021. The costs associated with the short term imperatives will be included in the budget assessment for 2022/23.

- 14 Employee costs typically account for in excess of 70% of expenditure and the current planning assessment assumes a pay award of 2% for all staff groups. It is noted that the national pay negotiations have not been concluded and this represents a significant risk at this time. It is estimated that a further £0.2m would be required for each 1% above the planning assumption.
- 15 A further risk to employee costs relates to the employer pension contributions for firefighters which increased during 2019/20 following a revaluation by the Government Actuary's Department. The valuation of pensions is a complex area involving long term projections. Following a change to the assumptions the employer contributions for unfunded schemes increased significantly in 2019/20. Since that time, the Welsh Government has provided financial support. The position has not yet been confirmed for 2022/23 onwards and this represents a risk of £1.1m. At this time, the budget assumption is that funding will be received.
- 16 The UK Government has announced that employer's class 1 national insurance contributions will increase to cover NHS and social care costs in the UK. Applicable from April 2022, the additional 1.25% represents an immediate cost pressure of circa £0.2m.
- 17 Although an inflationary increase has been applied to non-pay budgets a number of significant risks and uncertainties remain. These include fuel and utility costs which remain unpredictable due to price and supply issues. In addition, the availability and costs of other commodities such as building supplies, ICT equipment and fleet parts are also of concern given the complexity of supply chains and global uncertainty.
- 18 There are a number of further risks within non-pay budgets including uncertainty over Welsh Government funding for the national Emergency Services Network (communication).
- 19 Capital financing costs include the costs of borrowing and revenue charges for using capital assets. A review of the capital programme has been undertaken to support the management of these costs. Uncertainty remains over the cost of borrowing and an earmarked reserve is held to mitigate the impact of unexpected fluctuations.

IMPLICATIONS

Well-being Objectives	This report links to the Authority's Improvement and Well-being Objectives. It reports on the financial viability of the Authority.
Budget	The initial assessment of £38.08m contained within the medium term financial plan approved by Members during November 2020 will be revised to reflect the current assessment.
Legal	The Fire and Rescue Authority has a legal duty to set a balanced budget based on realistic planning assumptions.
Staffing	Typically over 70% of expenditure relates to staff costs and therefore is a material factor when consider future financial stability. The risks identified by the Chief Fire Officer include the need to recruit further retained duty staff and also build corporate resilience.
Equalities/Human Rights/Welsh Language	These issues will be factored into budget setting proposals.
Risks	The key risks and uncertainties to the 2022/23 budget have been outlined in Appendix 1.

Summary of planning assumptions and risks

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Employee costs	<ul style="list-style-type: none"> • The staffing budgets will be formulated on existing service delivery models and updated to address the risks identified within the Chief Fire Officer's situational assessment. It is anticipated that additional posts will be required to meet training requirements and corporate capacity issues. • The initial planning assessment presented to members in November 2020 assumed a national pay award of 2%. This remains a key risk with a cost of £0.2m for each 1% above this rate. • National insurance contributions have increased by 1.25% and no central governmental support is assumed within the budget setting process. • It is assumed that the increases to the employer pension contribution rates arising from the Government Actuary's Department valuation will continue to be grant funded by the Welsh Government. 	<ul style="list-style-type: none"> • The National Joint Council (NJC) has reached agreement on the firefighter pay award for 2021/22 but not yet published proposals for 2022/23. • The National Joint Council (NJC) for Local Government Services has not yet reached agreement on the pay award for staff on LGPS contracts for 2021/22. • The budget planning assumes normal levels of activity. If spate conditions occur budget pressures will be experienced. The working assumption is that the General Fund would be utilised in the first instance. • The Welsh Government has not yet confirmed that the grant to support the increase in employer contributions for the firefighter pension scheme will continue. The costs for 2022/23 are estimated to be £1.1m • In December 2018, the government lost its appeal to the legal challenge of the transitional pension arrangements for firefighters. The remedy will apply across the public sector pension schemes. The financial outcome is unknown and no provision has been made. • Following the public inquiry into the Grenfell disaster the Fire Safety Act (2021) has introduced changes to building regulations. This includes changes to responsibilities which will impact on the fire and rescue sector. The impact is currently being assessed and no provision has yet been made within the budget assessment.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Non Pay	<ul style="list-style-type: none"> The initial planning assessment recognised an average increase of 3% across non pay budgets. This remains an area of significant risk and uncertainty. 	<ul style="list-style-type: none"> Whilst the Service continues to review non-pay costs and strives to manage cost pressures within the planned budget this remains an area of risk due to ongoing pressures within the supply chain arising from price rises and availability issues. This position is being carefully managed but due to significant volatility it is not possible to quantify the impact. No provision has been made in the budget for exceptional costs that may be experienced during the 2022/23 financial year. The national procurement of an Emergency Services Network is progressing but significant delays are being experienced. The existing contract has been extended and the Authority currently receives £0.4m from the Welsh Government towards the provision of the existing service. The assumption is that the current revenue support will continue although this has not yet been confirmed. Although the Authority continues to work towards reducing its carbon footprint detailed plans have not yet been formalised. This work will progress during 2022/23 and no budget provision has been included.
Capital Financing	<ul style="list-style-type: none"> The capital financing requirement for 2022/23 is influenced by the capital expenditure incurred to March 2022. Current estimates for the 2021/22 financial year indicate an outturn of £1.3m against the approved plan of £3.0m. The reduction has mainly arisen due to slippage in the delivery of new vehicles. 	<ul style="list-style-type: none"> The potential increase in interest rates is unknown and may exceed planning assumptions.
Income	<ul style="list-style-type: none"> Income budgets have been reviewed and set in line with previous years. 	<ul style="list-style-type: none"> No specific risks have been identified over and above the grant income from the Welsh Government referenced within this report.