

AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU



NORTH WALES FIRE AND RESCUE AUTHORITY

A meeting of the **AUDIT COMMITTEE** will be held
MONDAY 16 MARCH 2026 at **09.30 hrs**
virtually **via Zoom**

Yours faithfully,
Gareth Owens
Clerk

AGENDA

1. Apologies

2. Declarations of Interest

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 15 December 2025

5. Audit of North Wales Fire and Rescue Authority's Assessment of Performance 2024/25

6. Annual Audit Summary Audit Wales 2025, for assurance

6a Audit Wales Financial Sustainability Report

7. Internal Audit Progress Report 2025/26, for assurance

8. Treasury Management Update 2025/26, for assurance

9. Financial Strategies and Statements for 2026/27, for assurance

10. Medium Term Resource Strategy 2026-2030, for assurance

11. Internal Audit Plan 2026/27, for assurance

12. MIAA Internal Audit EQA Approach, for information

13. 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.

14. None

NORTH WALES FIRE AND RESCUE AUTHORITY
AUDIT COMMITTEE

Minutes of the **Audit Committee** of the North Wales Fire and Rescue Authority held on Monday 15 December 2025 virtually via Zoom. Meeting commenced at 09.30hrs.

Councillor

Gareth Sandilands (Chair)
Tina Claydon (Deputy Chair)
Ann Davies
Ian Hodge
John Brynmor Hughes
Gareth R Jones
Arwyn Herald Roberts
Austin Roberts

Representing

Denbighshire County Council
Flintshire County Council
Denbighshire County Council
Flintshire County Council
Gwynedd Council
Conwy County Borough Council
Gwynedd Council
Conwy County Borough Council

Also present:

Helen MacArthur
Anthony Jones
Justin Evans
Elgan W Roberts
Dafydd Edwards
Gareth Owens
Angharad Ellis
Carwyn Rees
Heledd Davies
Lisa Allington

Assistant Chief Fire Officer
Assistant Chief Fire Officer
Assistant Chief Fire Officer
Head of Finance and Procurement
Treasurer
Clerk and Monitoring Officer
MIAA
Audit Wales
Translator
Executive Assistant – minute taker

1.0 APOLOGIES

Name

Jeff Evans
Beverley Parry-Jones
Gwynfor Owen

Representing

Anglesey County Council
Wrexham County Borough Council
Gwynedd Council

ABSENT

Name

Bryan Apsley
Chrissy Gee
Marc Jones

Representing

Wrexham County Borough Council
Flintshire County Council
Wrexham County Borough Council

2.0 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest to record.

3.0 NOTICE OF URGENT MATTERS

3.1 There were no notices of urgent matters.

4.0 MINUTES OF THE MEETING HELD ON 15 SEPTEMBER 2025

4.1 The minutes of the meeting held on 15 September 2025 were submitted for approval. A proposal was made that they were a true and accurate record of proceedings. This was seconded and passed with all in favour.

4.2 ACFO Helen MacArthur confirmed that the response to the Welsh Government consultation on Governance Reform for Fire and Rescue Authorities (FRA) had been submitted by the deadline, although the outcome was as yet unknown.

4.3 RESOLVED to:

i) approve the minutes as a true and accurate record of the meetings held, noting the above amendments.

5.0 APPOINTMENT OF DEPUTY CHAIR

5.1 Nominations were invited for the role of Deputy Chair of the Audit Committee. A nomination was made for Tina Claydon. This was proposed and seconded with all in favour.

5.2 RESOLVED to:

i) Appoint Cllr Tina Claydon as Deputy Chair of the Audit Committee with effect from 15 December 2025.

6.0 NATIONAL FRAUD INITIATIVE AUDIT WALES REPORT 2024-25

6.1 Carwyn Rees from Audit Wales was welcomed to the meeting and presented the paper on the National Fraud Initiative Audit Wales 2024-25, a biennial UK-wide initiative. The report provided the background to the initiative and a summary of the matches for North Wales Fire and Rescue Authority (the Authority). It was noted that in Wales the initiative fell under the statutory powers of the Auditor General for Wales.

6.2 ACFO MacArthur clarified that a data match was not an indication of fraud, merely a signpost to a match that required further review. For example, should someone feature on North Wales Fire and Rescue Service's (the Service) payroll but also on the payroll of a local authority, that would generate a match.

6.3 RESOLVED to:

- i) **Note the background to the National Fraud Initiative and the matches for the Authority; and**
- ii) **Note the assurances provided by the Authority's internal auditor within its update report for this Committee.**

7.0 INTERNAL AUDIT PROGRESS REPORT DECEMBER 2025

7.1 Angharad Ellis was welcomed to the meeting and delivered the Internal Audit Progress Report December 2025. The aim of this report was to update Members on the work undertaken by the Authority's internal audit providers, MIAA, for the 2025/26 financial year from 1 September 2025 to 30 November 2025. It was noted that two reports had been issued since the last Audit Committee.

7.2 A Member noted that there were 29 very high data matches within the NFI results and asked whether this was unusual for an organisation of this size. Angharad responded that it was relatively low for the size and type of organisation and that these data matches had all now been reviewed without any cases requiring escalation. The exercise would be repeated in two years' time.

7.3 It was highlighted that MIAA had now been awarded their cyber accreditation and congratulations were provided.

7.4 RESOLVED to:

- i) **Note the work undertaken by MIAA during 2025/26**

8.0 TREASURY MANAGEMENT REPORT Q2 2025/26

8.1 Dafydd Edwards, Treasurer, summarised the Treasury Management Report Q2 2025/26, the purpose of which was to provide Members of the Authority with an update on the treasury management activity and compliance with the treasury management prudential indicators for the period 1 June 2025 – 30 September 2025. Key data throughout the report was highlighted.

8.2 A Member asked if the Service's investments and borrowings were benchmarked against other Fire and Rescue Services (FRS), and the Treasurer responded that they were not. A proportion of the Service's borrowings were historical which would make them difficult to benchmark but was something that could be considered in the future, if it were possible.

8.3 ACFO MacArthur confirmed that the Authority's Treasury Management Advisors, Arlingclose, did carry out benchmarking exercises and would be asked to look at this across the other Welsh FRS in the future, if possible. In relation to the debt portfolio, decisions had been made around affordability, and it was recognised that the development of Hwb Awen, the new training centre, would be a pivotal decision point over the next 18-months.

8.4 RESOLVED to:

i) Note the treasury management activities and prudential indicators for the period 1 June 2025 to 30 September 2025.

9.0 BUDGET SETTING 2026/27

9.1 Elgan Roberts, Head of Finance, presented the Budget Setting 2026/27 paper which provided Members with an update on the financial planning assessment to set a balanced budget for 2026/27 and sought endorsement to communicate the indicative levy to constituent local authorities. The full revenue budget requirement was £54.375m and following the utilisation of reserves a total of £54.104m would be levied resulting in a year-on-year increase of 4.47%.

9.2 Thanks were given to the members of the Budget Scrutiny working Group, the Finance Department and budget holders for their engagement and hard work in setting the budget.

9.3 It was asked how the increase in levy percentage was calculated. Elgan confirmed that the percentages were based on the population data from the Office of National Statistics which had been collected mid-2024, along with the type of population. This was a statutory requirement. Therefore, any local authority that had an increase over 4.7% meant that they had likely experienced an increase in population data. It was noted that the Welsh Government funding formula which calculated the local authority allocations was also based on the same data.

9.4 It was confirmed that with regards to capital financing, future borrowing requirements were based on estimates by Arlingclose alongside the delivery of the Capital Plan. If the capital programme were delayed an underspend would be created.

- 9.5 Members were advised that pay award estimates were consistent with that of other local authorities and FRAs, but negotiations remained ongoing. Should the pay award be settled above 3.8%, the difference would be managed internally for 2026-27 with the general fund being utilised if this was not achievable. The shortfall for 2025-26 had been absorbed via vacancy control. The Treasurer noted that the pay award was the largest variable within the budget; however, he felt that 3.8% was reasonable and appropriate.
- 9.6 ACFO Jones confirmed that in relation to the emergency cover review and the new nucleus crewing pilot, efficiencies had been collectively agreed to finance the pilot and tangible improvements were being made.
- 9.7 A Member asked if the Service Level Agreements (SLAs) remained fit for purpose and Elgan confirmed that a holistic SLA review remained ongoing to ensure that they had not increased past the rate of inflation.
- 9.8 It was confirmed that the Service's reserves were utilised to limit the increase to the levy based on the Service's research strategy and Members received assurance from the Treasurer that reserves were only used for non-recurring expenditure.
- 9.9 It was asked what the Representative Bodies felt about the increase to the budget and confirmed that the item was due to be discussed at the next Joint Consultation and Negotiation Committee.
- 9.10 A Member asked if an increase in flooding incidents had been experienced and whether this had impacted negatively on the budget. ACFO MacArthur confirmed that provision for wildfires and severe weather events was part of budget planning and anything over the amount allocated would be drawn from reserves. ACFO Jones confirmed that flooding incidents had decreased in the first two quarters by approximately 60%.
- 9.11 It was highlighted that the projection at the beginning of the budget setting process had been 7.5% and so to reduce this to 4.7% was a real achievement.

9.12 RESOLVED to:

- i) Note the findings of the Budget Scrutiny Working Group, including the planning assumptions being used to develop the revenue budget for 2026/27;**
- ii) Note the current financial planning assessment of a revenue budget requirement of £54.375m and capital budget of £6.661m for 2026/27;**
- iii) Note the proposal to utilise £0.271m of reserves for 2026/27; and**
- iv) Endorse the communication of the draft financial levy of £54.104m from the constituent local authorities.**

10.0 UPDATE TO SCHEME OF FINANCIAL DELEGATION

- 10.1 ACFO MacArthur delivered the update to the Scheme of Financial Delegation for consideration and approval. This review would ensure that the Scheme remained fully aligned with current Financial Regulations and Contract Procedure Rules, strengthening governance and compliance across all financial and procurement activities.
- 10.2 The Treasurer advised that he was content with the proposals and any increases were reasonable.
- 10.3 Chair asked how members were envisaged to be involved in decision making processes moving forwards. ACFO MacArthur confirmed that the Budget Scrutiny Working Group were heavily involved in reviewing capital expenditure and a meeting would be arranged in the new year to facilitate this.

10.4 RESOLVED to:

- i) Approve the updated Scheme of Financial Delegation.**

11.0 URGENT MATTERS

There were no urgent matters to discuss.

It was moved that the meeting progress to Part II and this was proposed and seconded with all in favour. The live stream was terminated. Those present from MIAA were asked to leave the meeting.

Part I concluded at 10:27

PART II

12.0 INTERNAL AUDIT ARRANGEMENTS FROM APRIL 2026

12.1 ACFO MacArthur presented the Internal Audit Arrangements from April 2026 paper which outlined to Members the need to consider the provision of internal audit services from April 2026 and proposed the extension of the existing arrangement for a period of 24 months.

12.2 ACFO MacArthur noted that the quality of the service from MIAA had been very good and that she was comfortable to recommend that the extension take place. The scope and quality of the work carried out by MIAA to date had been good and the service remained cost efficient. Renewing this contract would also have the benefit of continuity and the Welsh language provision was an additional benefit.

12.3 RESOLVED to:

- i) Endorse the recommendation for the extension of the appointment of Mersey Internal Audit Agency as the Authority's internal audit providers for the financial period 1 April 2026- 31 March 2028, in 12-month periods.**

Part II concluded 10:30

Report to	Audit Committee	
Date	16 March 2026	
Lead Officer	Anthony Jones, Assistant Chief Fire Officer	
Contact Officer	Mike Plant, Head of Planning, Performance and Transformation	
Subject	Audit of North Wales Fire and Rescue Authority's Assessment of Performance 2024/25	

PURPOSE OF REPORT

- 1 The purpose of this report is to confirm to Members of the North Wales Fire and Rescue Authority (the Authority) the outcome of the external audit of the Authority's Assessment of 2024-25 Performance, as required by the Local Government (Wales) Measure 2009 (the Measure).

EXECUTIVE SUMMARY

- 2 Under the Measure, the Authority is required to annually publish an assessment which describes its performance:
 - in discharging its duty to make arrangements to secure continuous improvement in the exercise of its functions;
 - in meeting the improvement objectives it has set itself;
 - by reference to performance indicators specified by Welsh Ministers, and self-imposed performance indicators; and
 - in meeting any performance standards specified by Welsh Ministers, and self-imposed performance standards.
- 3 The Annual Performance Assessment was presented to Members at the Authority meeting of 20 October 2025.
- 4 The improvement measures are subject to audit by Audit Wales in accordance with section 17 of the Measure, and Audit Wales's Code of Audit Practice.

RECOMMENDATIONS

- 5 Members are asked to:
 - i) **Note the audit letter which confirms that the Authority has discharged its responsibilities under the Local Government (Wales) Measure 2009.**

BACKGROUND

- 5 The Measure requires the Authority to publish its assessment before 31 October in the financial year following that to which the information relates.

INFORMATION

- 6 The audit letter set out in Appendix 1 confirms that Audit Wales has concluded its work and is satisfied that the Authority has discharged its responsibilities.

IMPLICATIONS

Wellbeing Objectives	This report confirms that the Authority has met its statutory obligations under the Local Government (Wales) Measure 2009
Budget	None – historic activity
Legal	The Audit Wales report confirms that the Authority has met its statutory obligations
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	None

Reference: 5180A2025

Date issued: December 2025

Audit of North Wales Fire and Rescue Authority's Assessment of 2024-25 Performance

Certificate

I certify that I have audited North Wales Fire and Rescue Authority's (the Authority) assessment of its performance in 2024-25 in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Authority has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Authority and the Auditor General

Under the Measure, the Authority is required to annually publish an assessment which describes its performance:

- in discharging its duty to make arrangements to secure continuous improvement in the exercise of its functions;
- in meeting the improvement objectives it has set itself;
- by reference to performance indicators specified by Welsh Ministers, and self-imposed performance indicators; and
- in meeting any performance standards specified by Welsh Ministers, and self-imposed performance standards.

The Measure requires the Authority to publish its assessment before 31 October in the financial year following that to which the information relates, or by any other such date as Welsh Ministers may specify by order.

The Measure requires that the Authority has regard to guidance issued by Welsh Ministers in publishing its assessment.

As the Authority's auditor, I am required under sections 17 and 19 of the Measure to carry out an audit to determine whether the Authority has discharged its duty to publish an assessment of performance, to certify that I have done so, and to report whether I believe that the Authority has discharged its duties in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information. Other assessment work that I will undertake under section 18 of the Measure may examine these issues. My audit of the Authority's assessment of performance, therefore, comprised a review of the Authority's publication to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the assessment complied with the requirements of the legislation, and that the Authority had regard to statutory guidance in preparing and publishing it.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.



Adrian Crompton

Auditor General for Wales

CC: Jane Bryant - Cabinet Secretary for Housing and Local Government
Tim Buckle – Audit Manager

Report to	Audit Committee	
Date	16 March 2026	
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer Finance and Resources	
Contact Officer	Elgan Roberts, Head of Finance and Procurement	
Subject	Audit Wales – Annual Audit Summary 2025	

PURPOSE OF REPORT

- 1 To provide Members of the North Wales Fire and Rescue Authority (the Authority) with the Annual Audit Summary 2025 produced by Audit Wales.

EXECUTIVE SUMMARY

- 2 The Auditor General is the statutory external auditor for most of the public sector in Wales, including the Authority. The Auditor General's role includes examining how public bodies manage and spend public money, including how they achieve value in the delivery of public services.
- 3 The Annual Audit Summary for 2025 includes confirmation of the work undertaken by Audit Wales and includes the audit of the financial statements and annual governance statement, certification on the Authority's improvement obligations and the publication of national reports.
- 4 The matters contained within the Annual Audit Summary 2025 have all previously been reported to the Authority.

RECOMMENDATIONS

- 5 Members are asked to:
 - i) **note the annual audit summary.**

IMPLICATIONS

Wellbeing Objectives	The work undertaken on behalf of the Auditor General provides an objective assessment of the Authority's performance.
Budget	The work undertaken includes consideration of value for money.
Legal	The Auditor General is the statutory auditor for Wales
Staffing	None
Equalities/ Human Rights/Welsh Language	None
Risks and Uncertainties	The objective assessment in a number of key areas supports the Authority's work to identify and manage risk.

North Wales Fire and Rescue Authority – Annual Audit Summary 2025

Date issued: January 2026



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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.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Introduction



Adrian Crompton

Auditor General for
Wales

I am pleased to share my Annual Audit Summary for North Wales Fire and Rescue Authority (the Authority). It summarises the main findings from my 2025 audit work undertaken to fulfil my responsibilities under the Public Audit (Wales) Act 2004 and the Well-Being of Future Generations (Wales) Act 2015.

I provided an opinion on whether the accounts were properly prepared and gave a true and fair view, in all material aspects.

My audit team has also assessed whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness

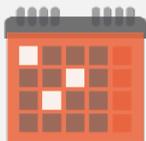
in its use of resources, and has acted in line with the sustainable development principle. In doing so, my audit team has reviewed how the Authority has set its well-being objectives and targets homes most at risk of fires. As set out in my audit plan, these reviews have been carried out in line with the [International Organisation of Supreme Audit Institutions \(INTOSAI\) standards](#).

The detailed audit findings for each of my reviews are set out in the respective reports which my audit team have presented throughout the year. The performance audit reports are available on the [Audit Wales website](#) and further links are available in the summary.

The Annual Audit Summary should be shared with the Audit Committee. I will then make the summary available to the public on the [Audit Wales website](#).

I would like to extend my gratitude to the Authority's officers for their help and cooperation throughout my audit.

Your audit at a glance



I received the draft accounts in advance of the statutory deadline of 30 June 2025. The quality of the draft accounts and working papers was good.



I issued an unqualified opinion on the accounts in advance of the statutory deadline of 31 December 2025. There were no uncorrected misstatements in the accounts. There were no other significant issues to report.



My performance audit work found that the Authority has applied the sustainable development principle when setting its well-being objectives. I also found that the Authority has a good approach to its targeted high-risk dwelling fire prevention work.



My audit team made several recommendations to the Authority which focus on aligning well-being objectives and financial plans and considering how to clearly understand whether activity is meeting the Authority's intended outcomes.



My audit team has completed the audit work as set out in my Audit Plan dated June 2024.

Audit of accounts findings

Preparing annual accounts is an essential part of demonstrating the stewardship of public money. The accounts show the organisation's financial performance and set out its net assets/reserves, total comprehensive income and expenditure, and cash flows. My annual audit of those accounts provides an opinion on whether the accounts were properly prepared and gave a true and fair view, in all material aspects.

My responsibilities in auditing the accounts are described in my [Statement of Responsibilities](#) publications, which are available on the [Audit Wales website](#).

The draft accounts were presented for audit on 3 June 2025. This was in advance of the deadline of 30 June 2025 set by the Welsh Government. The quality of the draft accounts presented for audit was generally good.

My audit opinion

I must report issues arising from my work to those charged with governance for consideration before I issue my audit opinion on the accounts. I reported these issues within my Audit of Accounts Report to the Fire Authority on 20th October 2025.

Accuracy of preparation

A number of changes were made to the draft accounts arising from my audit work. There were no uncorrected misstatements. There were no other significant issues to report.

The Authority's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were consistent with the financial statements and with my knowledge of the Authority.

I concluded that the Authority's accounts were properly prepared and materially accurate and issued an unqualified audit opinion on them.

Audit completion

I issued the certificate confirming that the audit of accounts for 2024-25 was completed on 20 October 2025.

Performance audit findings

Continuous improvement

My team looked at to what extent the Authority has met its legal duties under the Local Government (Measure) 2009. The Authority has duties in relation to planning its improvement and reporting its performance.

I found that the Authority is likely to meet its requirements during 2024-25.

Setting of well-being objectives

My team looked at to what extent has the Authority acted in accordance with the sustainable development principle when setting its new well-being objectives.

I found that the Authority has applied the sustainable development principle when setting its new well-being objectives.

I made three recommendations focused on opportunities to consider in future planning, such as alignment with others, strengthening alignment with financial planning, and strengthening how the Authority monitors the achievement of its objectives.

Targeted high-risk fire prevention

My team looked at the approach taken by the Authority targeting its fire prevention work. We focused on the targeting of the most vulnerable people to help reduce fires and reduce serious injury or death.

I found that the Authority has a good basic approach to its targeted fire prevention. This includes some areas of promising practice. However, it could do more to ensure it targets its resources, so they are always focused where they are most needed.

I made two recommendations to support the Authority improve its approach. This includes assessing where gaps may exist in the Authority's current approach and planning to address these gaps. I also recommended that the Authority strength its understanding of the value achieved by its prevention activities to help further target actions to make the greatest impact.

Performance audit work still underway

At the time of reporting, the following review from the 2025 Audit Plan was still underway at the Authority:

- Financial sustainability

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use three lines of assurance to show how we achieve this. We have set up an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by the Institute of Chartered Accountants in England and Wales and our Chair of the Board, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2024](#).



Our People

- Selection of right team
- Use of specialists
- Supervisions and review



Arrangements for achieving audit quality Selection of right team

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support



Independent assurance

- EQRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

Further information

Audit Wales has a range of other information to support the scrutiny of Welsh public bodies and to continue to improve the services provided to the people of Wales.

Visit our [website](#) to find:



Our [publications](#) which cover our audit work at public bodies.



Information on our upcoming work and forward work programme for [performance audit](#).



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



Report to	Audit Committee
Date	16 March 2026
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer
Contact Officer	Elgan Roberts, Head of Finance and Procurement
Subject	Audit Wales Financial Sustainability Report



PURPOSE OF REPORT

- 1 The purpose of this report is to present Audit Wales Financial Sustainability Review and the Management Response.
- 2 The report enables the Audit Committee to review the findings and provide assurance regarding North Wales Fire and Rescue Authority's (the Authority) approach to medium and long-term financial planning.

EXECUTIVE SUMMARY

- 3 Audit Wales has concluded that the Authority is in a relatively stable financial position, supported by comparatively strong usable reserves. However, the review recommends that the Authority update and strengthen its medium-term and long-term financial planning framework.

RECOMMENDATIONS

- 4 It is recommended that Members:
 - i) **Note the Audit Wales Financial Sustainability Review;**
 - ii) **Consider and endorse the Authority's Management Response and associated action plan; and**
 - iii) **Support ongoing monitoring of progress through the Audit Committee's forward work programme.**

BACKGROUND

- 5 Audit Wales undertook a review of the Authority's financial sustainability under its statutory powers set out in Section 17(2)(d) of the Public Audit (Wales) Act 2004, which enables the Auditor General to examine how public bodies use their resources, and with regard to duties under the Well-being of Future Generations (Wales) Act 2015, which may inform reporting.

- 6 Fieldwork commenced in November 2025 involving a review of financial documentation, internal planning material, governance records, and the Authority's medium- and long-term financial planning arrangements.
- 7 As part of its evidence-gathering responsibilities, Audit Wales conducted interviews with key senior leaders to assess strategic intent, governance effectiveness, and operational application of financial oversight. These interviews included the Deputy Chair of the Authority, the Chief Fire Officer, the Assistant Chief Fire Officer, the Section 151 Officer, and the Head of Finance and Procurement.

INFORMATION

- 8 The Audit Wales Financial Sustainability Review is attached in full, setting out the findings, context, and recommendations arising from their assessment of the Authority's medium- and long-term financial planning arrangements. The report highlights areas of strength alongside opportunities to strengthen strategy, governance, and financial reporting.
- 9 The Management Response is also attached, detailing the planned actions, responsibilities, and timescales for addressing each of the Audit Wales recommendations.

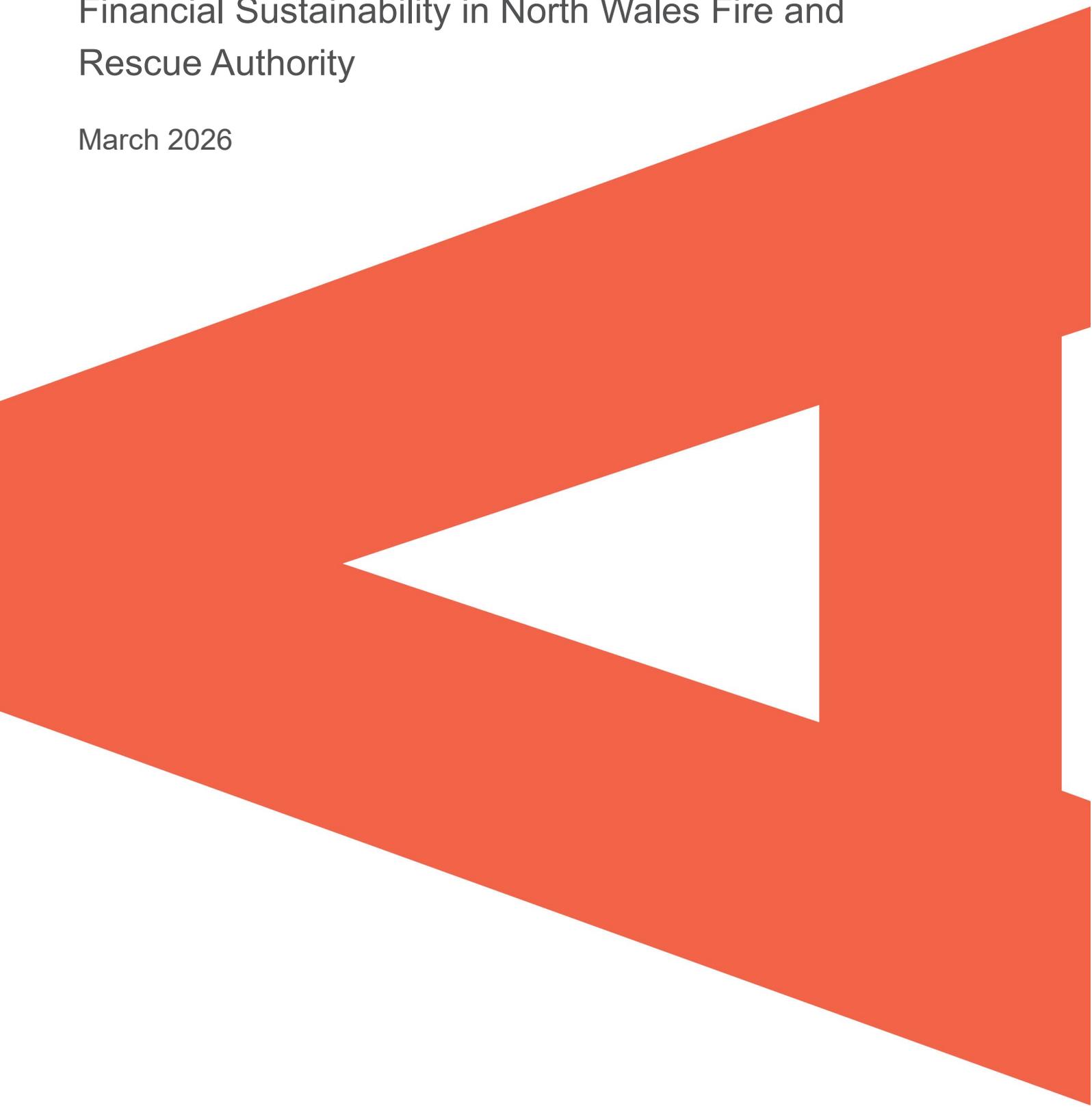
IMPLICATIONS

Wellbeing Objectives	A financial planning framework supports long-term sustainability and ensures financial decisions enable safe and effective delivery of services.
Budget	Updates to financial reporting and planning processes will be met within existing resources. Any Implications and mitigations will be addressed through the budget setting process.
Legal	Ensure compliance with Local Government Act 2003, and Well-being of Future Generations (Wales) Act 2015.
Staffing	No immediate staffing implications.
Equalities/Human Rights/Welsh Language	All outputs and reporting will continue to be provided bilingually and in line with the Authority's statutory duties.
Risks	Implementing the recommendations will reduce strategic financial risk, improve transparency, and support effective decision-making.

Future Proofing?

Financial Sustainability in North Wales Fire and
Rescue Authority

March 2026



About us

We have prepared and published this report under Section 17(2)(d) of the Public Audit (Wales) Act 2004. It may also inform reporting under Section 15(3) of the Well-being of Future Generations (Wales) Act 2015.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

Audit Wales follows the international performance audit standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

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Audit snapshot

What we looked at

- 1 We looked at how North Wales Fire and Rescue Authority (the Authority) is acting to help it to achieve financial sustainability. This includes its financial plans, the evidence it used to develop its plans, and then how it reports to members on its finances.
- 2 We did not look at the Authority's wider financial management or the individual financial decisions it has made or intends to make.
- 3 Our work is focused on providing assurance and to support improvement in how the Authority is working to improve its sustainability in the medium to long term. We recognise that some things that impact on this are outside of the Authority's control. This includes the level of grant funding it receives and global events like the COVID-19 pandemic. The difficult context means that planning for different scenarios and being clear on the options available are important. It also shows that it is not always possible to plan in detail in the medium to long term.

Why this is important

- 4 The public sector faces significant financial challenges and has done for several years. This places the Authority under pressure to balance what it wants or needs to spend against funding that remains a challenge. Getting this balance right is a significant challenge and means the Authority must balance different factors to ensure it makes the best use of public money. This makes planning to achieve sustainability key and supports the Authority to demonstrate value for money.

What we have found

- 5 The Authority's approach supports its relatively stable financial position. However, the Authority has not updated how it will meet its medium-term financial challenges.

What we recommend

- 6 We have made three recommendations. The first focuses on the need to keep financial strategies up to date and cover the longer term. The second focuses on how the Authority shares its financial position to its members. The third focuses on clarifying which committee is responsible for the oversight of financial planning and performance.

Our findings

The Authority has a clear understanding of its financial position but does not clearly set out how this has informed its financial strategy

- 7 The Authority has a relatively strong reserves position compared to the other two Welsh Fire and Rescue Authorities (FRAs). The Authority held the equivalent of 22.8% of its net cost of services in usable reserves not restricted by law at the end of 2024-25.¹ This is the highest of the three FRAs in Wales.
- 8 The Authority has not planned how it will use its reserves to support its financial sustainability. Reserves are a core part of financial planning. For example, as FRAs receive no capital funding from the Welsh Government, reserves are a key way to fund capital projects. This means that planning how reserves will support its financial plans can help the Authority to deliver important projects. This could include its planned new training centre, for example. Deciding what the Authority thinks is the right level of reserves, how it will achieve that level, and how they will be used strategically, is important to support financial sustainability.
- 9 The Authority has a detailed understanding of its financial risks but has not shown how these link to its financial strategy. The Authority is clearly aware of key risks. It requires its departments to explain how they are addressing risks through their budget setting. However, by not setting out how these inform its financial strategy, it is not clear how the Authority plans to respond to them. Communicating its key financial risks clearly may also be more important due to proposed changes to the financial model for FRAs, and the potential need for increased dialogue with constituent councils.

¹ We publish this data as part of our local government financial sustainability data tool. Our definition of usable reserves may differ to that used by different bodies.

- 10 A detailed knowledge of funding pressures and financial risks is important to help develop a well-informed financial strategy to tackle financial challenges.

The Authority has a clear approach to financial planning, but has not set out its medium to long-term plans

- 11 The Authority has a medium-term resource strategy in place, but it has not publicly updated it recently. The Authority approved its strategy in February 2024, and it covered three financial years. It has not published an update to its strategy in the years since. This means the current strategy ends in 2026-27. The Authority has planned its spending over the next three years in internal documents. Updating its public strategy and linking it to its annual budget setting may help the Authority more clearly show how it is planning over the medium term. It could also provide an opportunity for members to scrutinise and influence its content. The Authority has, however, planned its capital spending over a ten-year period.
- 12 The Authority has not yet developed a longer-term financial strategy. Its current strategy focuses on the medium term but does not use the Authority's detailed knowledge of risks to plan for future scenarios. We recognise that there have been a number of uncertainties for the Authority recently. This includes the outcome of the recent Welsh Government consultation on FRA reform. We also acknowledge the challenge to longer-term planning of annual funding cycles. However, a longer-term strategic approach, that includes scenario plans, would strengthen the Authority's ability to respond to future financial challenges.
- 13 A clear, well-informed, and agreed financial strategy is key to show how the Authority will respond to its future funding pressures. Especially how it will meet its projected funding gap in the short, medium and long term. It also supports the Authority to understand the impact of its strategy on its well-being objectives and legal duties.

The Authority regularly reports on its finances but could more clearly link reports to its financial strategy

- 14 The Authority reports regularly on its finances to members. The Full Authority receives quarterly finance reports. The reports set out how the Authority's spending varies to its budget and its expected end of year position. Reporting to members clearly and often helps them to know about its financial position. This can help members take actions to improve the Authority's long-term position.
- 15 However, the Authority's reports do not clearly explain the implications of its spending on its financial strategy. For example, setting out the impact of over or under spending on the delivery of its objectives can help members to scrutinise and monitor this. This can further support the Authority's financial sustainability.
- 16 It is not clear how responsibility for financial oversight as set out in the Authority's Constitution is discharged in practice. The Audit Committee has a role to oversee financial reporting, but financial reports are made only to the Full Authority. It is unclear, therefore, how the Audit Committee fulfils this role or how the constitution reflects real practice. Clear roles and responsibilities are important to ensure that members have appropriate focus on financial sustainability and value for money.

Recommendations

- R1** The Authority should update its medium-term resources strategy and develop its longer-term approach to achieve financial sustainability. To do this, the Authority should:
- 1.1** ensure its strategy remains up to date and linked to annual budget setting;
 - 1.2** set out how it will respond to financial risks, including, if necessary, through savings planning; and
 - 1.3** strategically plan its use of reserves.
- R2** The Authority should strengthen its financial reporting to members to include the impact of financial performance on its:
- 2.1** well-being objectives;
 - 2.2** delivery of its statutory duties; and
 - 2.3** longer-term financial strategy.
- R3** The Authority should clarify which committee has responsibility for oversight of financial strategy and financial monitoring.

Appendices

About our work

Scope of the audit

We looked at how the Authority is acting to help it to achieve financial sustainability. This includes its financial plans, the evidence it used to develop its plans, and then how it reports to members on its finances. We looked at the arrangements in place between October and December 2025.

We did not look at the Authority's wider financial management or the individual financial decisions it has made or intends to make.

Audit questions and criteria

Questions

We reached our conclusions about the Authority's financial sustainability by answering three key questions. First, we asked if the Authority has a clear and long-term plan for its financial sustainability. Second, we looked at whether the Authority knows the financial position it is in and has used its knowledge to shape its strategy. Third, we asked if the Authority's financial reports made to members help them to oversee its financial sustainability.

Criteria

We use the audit criteria to help us answer our questions on the Authority's arrangements. They help us to understand what arrangements should or could look like in context. The work of the Chartered Institute of Public Finance and Accountancy and our cumulative knowledge shaped their development.

Methods

Our findings are based on document reviews and interviews with senior officers and the Authority's Deputy Chair.

About us

The Auditor General for Wales is independent of the Welsh Government and the Senedd. The Auditor General's role is to examine and report on the accounts of the Welsh Government, the NHS in Wales and other related public bodies, together with those of councils and other local government bodies. The Auditor General also reports on these organisations' use of resources and suggests ways they can improve.

The Auditor General carries out his work with the help of staff and other resources from the Wales Audit Office, which is a body set up to support, advise and monitor the Auditor General's work.

Audit Wales is the umbrella term used for both the Auditor General for Wales and the Wales Audit Office. These are separate legal entities with the distinct roles outlined above. Audit Wales itself is not a legal entity.



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We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Management response form

Audit Wales use only

Audited body	North Wales FRA
Audit name	Financial sustainability
Issue date	March 2026

Ref	Recommendation	Commentary on planned actions	Completion date for planned actions	Responsible officer (title)	Audit Wales only
R1	<p>The Authority should update its medium-term resources strategy and develop its longer-term approach to achieve financial sustainability. To do this, the Authority should:</p> <ul style="list-style-type: none">ensure its strategy remains up to date and linked to annual budget setting;	<p>A refreshed Medium-Term Resource Strategy (MTRS) covering the period 2026–2030 has been developed and is scheduled to be presented to the Audit Committee in March.</p> <p>The MTRS will be formally updated at least every other year and refreshed annually where there are material changes in funding, financial risk, or service priorities</p>	March 2026	Head of Finance and Procurement	

Ref	Recommendation	Commentary on planned actions	Completion date for planned actions	Responsible officer (title)	Audit Wales only
	<ul style="list-style-type: none"> • set out how it will respond to financial risks, including, if necessary, through savings planning; and • strategically plan its use of reserves. 				
R2	<p>The Authority should strengthen its financial reporting to members to include the impact of financial performance on its:</p> <ul style="list-style-type: none"> • well-being objectives; • delivery of its statutory duties; and 	<p>We accept this recommendation. Existing financial reports provided to members will be reviewed and refined to ensure they continue to support effective oversight of financial performance as per the recommendation.</p>	September 2026	Head of Finance and Procurement	

Ref	Recommendation	Commentary on planned actions	Completion date for planned actions	Responsible officer (title)	Audit Wales only
	<ul style="list-style-type: none"> longer-term financial strategy. 				
R3	The Authority should clarify which committee has responsibility for oversight of financial strategy and financial monitoring.	The recommendation is accepted; however, Implementation will be aligned to the introduction of Welsh Government secondary legislation on Fire and Rescue Service governance reform. In the interim the FRA will have ultimate responsibility.	Aligned to Governance Reform	Monitoring Officer	

Report to	Audit Committee
Date	16 March 2026
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer, Finance and Resources
Contact Officer	Angharad Ellis (MIAA)
Subject	Internal Audit Progress Report 2025-26



PURPOSE OF REPORT

- 1 The purpose of this report is to provide to Members with an update of the work undertaken by North Wales Fire and Rescue Authority's (the Authority) internal audit providers as at 28 February 2026.

EXECUTIVE SUMMARY

- 2 The Authority is required to put arrangements in place for the audit of systems of control. Mersey Internal Audit Agency (MIAA) have been appointed to provide internal audit services to the Authority.
- 3 The report contained within Appendix 1 provides an overview of the work undertaken during the 2025/26 financial year against the agreed internal audit plan. The report confirms the work undertaken between 1 December 2025 and 28 February 2026.
- 4 During that period, MIAA undertook the fieldwork to assess the core controls in relation to the Authority's risk management framework and will report the findings at the June 2026 meeting.

RECOMMENDATIONS

- 5 It is recommended that Members:
 - i) **Note the work undertaken by MIAA during 2025/26; and**
 - ii) **Note the work finalised between 1 December 2025 to 28 February 2026.**

BACKGROUND

- 6 The Accounts and Audit (Wales) Regulations 2014 (the Regulations) require the Authority to make proper and effective arrangements for systems of internal control. This includes the arrangements for the management of risk and adequate and effective financial management.
- 7 The Regulations also require an adequate and effective internal audit of the systems of internal control, the findings of which must be reported to Members of the Authority. The Authority is required to approve the Statement of Internal Control annually.
- 8 The Audit Plan for 2025/26 was approved by the Audit Committee at its meeting of 17 March 2025.

INFORMATION

- 9 The report contained within Appendix 1 provides an overview of the work undertaken during 2025/26 and confirms that the following reviews have been concluded during the financial year:
 - Key Financial Transaction Processing Controls
 - National Fraud Initiative field work (NFI)
 - Business Planning
 - Equipment Asset management
- 10 The final element of the 2025/26 audit plan relates to the Authority's risk management arrangements, and this work is currently in progress and will be reported to the Audit Committee in June 2026.

IMPLICATIONS

Wellbeing Objectives	The operation of financial systems that are properly controlled supports the delivery of the well-being objectives and longer-term sustainability of services.
Budget	Assurance on the existence and operation of internal controls supports the effective budget setting process.
Legal	An effective internal audit arrangement is a requirement of the Accounts and Audit (Wales) 2014 Regulations
Staffing	The review of key financial systems provides assurance that controls are present and that payments are in accordance with agreed policies and procedures.
Equalities/ Human Rights/ Welsh Language	The engagement lead with MIAA is bilingual and reports will be subject to normal translation processes.
Risks	<p>The Head of Internal Audit Opinion provides compliance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. Without such assurance, the Authority would be unaware of the adequacy and effectiveness of the corporate governance, risk management and internal control arrangements and its associated ability to achieve its objectives.</p> <p>Any significant issues or weaknesses identified by Internal Audit would not be considered in the preparation of the Annual Governance Statement.</p>

Internal Audit Progress Report Audit Committee (March 2026)

North Wales Fire and Rescue Service

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1 Introduction

2 Key Messages for Audit Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

Appendix C: Key Areas and Actions to be Delivered

Appendix D: Assurance Definitions and Risk Classifications

Global Internal Audit Standards (UK public sector)

Our work was completed in accordance with Global Internal Audit Standards (UK public sector).

Executive Summary

This report provides an update to the Audit Committee in respect of the progress made against the Internal Audit Plan for 2025/26 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Global Internal Audit Standards (UK public sector).

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are included within the Audit Committee papers. In addition, a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period 1st December 2025 to 28th February 2026.

3 Executive Summary

2025/26 Audit Reviews

The following reviews have been finalised:

- Key Financial Controls (Substantial Assurance)

The main areas of good practice related to the General Ledger, Accounts Receivable and Budgetary Control systems. Testing of invoices paid found appropriate authorisation within TechOne and invoices raised without a purchase order (PO) related to utility, maintenance, facilities/ fleet or payroll expenses. Two medium recommendations have been raised in relation to new supplier and supplier amendment procedures. A further two low risk recommendations have been made to strengthen the existing debt recovery efforts and capture the current financial reporting arrangements.

- Attendance at Budget Scrutiny meetings (N/a Assurance)

Refer to Appendix C for details of Key Areas and Actions to be Delivered

The following reviews are in progress:

- Risk Management Core Controls (Fieldwork)

Follow Up

Our follow up work is in progress and a report will be provided at the Audit Committee meeting in June 2026.

Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process. There are no current proposals to amend the approved audit plan.

Added Value

Briefings

Our latest briefings/blogs/podcasts are:

- [Jane Pine Blog: Taking Time to Reflect: Why looking back helps us move forward](#)
- [Simple AI Booklet Series: Helping the NHS Understand Artificial Intelligence](#)

Events

- [Leading the public sector workforce towards AI readiness \(11th February 2026\)](#): This interactive masterclass explores how public sector organisations in the North West can embrace artificial intelligence (AI) in a way that is ethical, impactful, and sustainable. Designed for leaders and practitioners navigating digital transformation, the session demystifies AI, outlines governance and risk considerations, and showcases real-world use cases from health and local government.
- [Unlocking Sustainable Productivity \(19th March 2026\)](#): This masterclass will help health and social care leaders reframe productivity as a driver of sustainable improvements in care quality, not just a mechanism for meeting financial targets. Building on the NHS Productivity Commission's call for a new narrative, the session will explore how productivity gains can enhance patient outcomes, staff experience, and system resilience

Appendix A: Contract Performance

The Global Internal Audit Standards (UK public sector) state that 'In the UK public sector, a chief audit executive must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.' The table summarises the delivery of your Head of Internal Audit Opinion for 2025/26:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Risk Management – Core Controls		Fieldwork		June 2026
National Fraud Initiative	N/A	Completed	Not applicable	December 2025
Key Financial Controls		Completed	Substantial	March 2026
Business Planning		Completed	Substantial	December 2025
Equipment Asset Management		Completed	Limited	September 2025
Attendance at Budget Scrutiny meetings	N/A	As required	Not applicable	Not applicable
Follow Up				
Q1	N/A	Completed	N/A	June 2025
Q2	N/A	Completed	N/A	September 2025
Q4	N/A	In progress		June 2026

Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	No issues to report
Issue a Client Satisfaction Questionnaire following completion of every audit.	Every Final report includes a questionnaire for client feedback	Green	
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	
Percentage of recommendations which are implemented	Follow Up will be reported twice per year	Green	
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 65% qualified staff. The Senior Team delivering the Internal Audit Service to NWFRS are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. MIAA conforms with the Global Internal Audit Standards (UK public sector).

Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	Key Financial Controls			
Executive Sponsor	Assistant Chief Fire Officer			
Assurance Level	Substantial Assurance - There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.			
Objective	To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.			
Recommendations	0 x Critical	0 x High	2 x Medium	2 x Low
Summary	<p><u>General Ledger</u></p> <ul style="list-style-type: none"> • Audit review of bank account reconciliation reports for September, October and November 2025 confirmed that they had been completed on the last working day of each month. These reconciled to the ledger account balance in the TechOne system against the Barclays bank statement closing balance. • The revenue budget agreed for the 2025/26 financial year was found to be consistent with the Fire Authority's 2025/26 Budget Review report to the Fire and Rescue Authority meeting in October 2025. • Testing of a sample of 20 journals entries confirmed that adequate segregation of duties had been maintained, within the TechOne system, between the preparer and approver. 			

Accounts Payable

- The Financial Regulations were presented and approved at the October 2025 Fire and Rescue Authority meeting. The Scheme of Financial Delegation (SoFD) has been updated and was presented to the Senior Leadership Team (SLT) in November 2025.
- Audit testing of a sample of 20 delegated limits set up within TechOne confirmed they had been set up correctly in line with the SoFD and authorisation levels.
- MIAA review of 10 invoices paid with a Purchase Order found appropriate segregation of duties in place between the requestor and approver, with the approvals being in accordance with the SoFD and authorisation levels.
- Further testing of 20 invoices paid without a Purchase Order found segregation of duties in place between the user who processed and approved, with the approvals being in accordance with the SoFD and authorisation levels.
- Audit review of payment listings processed in October 2025 confirmed they had been independently approved.
- Supplier verifications and amendments are processed by one officer. Testing undertaken on a sample of 10 new suppliers identified forms and Endole, value added tax (VAT) and companies house checks had been completed (Refer to Recommendations 1 and 2).
- Review of the credit accounts listed within TechOne, on 09/12/2025, confirmed that there were no creditors with a total debit balance for account.

Accounts Receivable

- Audit review of 10 sales invoices found appropriate supporting documentation and authorisation in place and invoice amounts reconciled to the TechOne system.
- Audit review of 7 credit notes raised identified valid reasoning had been provided to confirm cancellation of the debts. Segregation of duties was enforced between preparer and approval of the credit notes sampled.

- Review of the debtor accounts listed within TechOne, on 09/12/2025, confirmed there were no debtors with a total credit balance for account.
- A live position of debtor accounts was provided on TechOne for review, no long outstanding or high value debts were recorded without a payment plan. Short term and long-term debtors were reported in the balance sheet to the Fire and Rescue Authority meetings in July and October 2025.
- No bad debts had been written off in year to date. The Fire & Rescue Authorities Financial Regulations confirmed write offs can be deemed uncollectable by the Assistant Chief Officer or approved by the Authority.

Budgetary Control

- The Financial Regulations outline budget holder responsibilities for controlling income and expenditure within budget and accurate information reporting.
- The 2025/26 Budget was approved in the January 2025 Fire and Rescue Authority meeting, before the commencement of the financial year. Updates on the budget position and revenue forecasting were provided in the 2025/26 Budget Review report to the Fire and Rescue Authority meeting in October 2025.
- A budget setting timeline was reported as part of the draft budget proposal for 2025/26 and 2026/27 to the Budget Scrutiny Working Group, which confirmed the external dates up to final settlement with the Welsh Government. The Budget Scrutiny Working Group meet monthly to discuss financial planning and budget risks.
- Budget reports were presented at the July and October 2025 Finance and Performance Committee meetings. The reports show run rate analysis and the actual, budget, variance to budget and commitments for each department. Finance engage with budget holders prior to Finance and Performance Committee meetings. Best practice has been recognised in these reports to identify the budget holders top 3 escalations for the period.

Key Areas Agreed for Action

- Accounts Payable - The supplier guidance notes were found to be in draft with tracked changes. In addition, the guidance did not include a sufficient reference to bank mandate fraud and fraud risk. Furthermore, the new supplier form in place did not include an anti-fraud deceleration. (Medium Risk)
- Accounts Payable - Audit testing of 10 new supplier set ups recognised it was not consistent practice for bank details to be verified with a supplier representative over the telephone. Further audit testing of 10 supplier amendments confirmed that in one case had the name of the supplier representative been recorded in TechOne, following a telephone verification check. There was a lack of documented notes recorded in TechOne to confirm what details have been changed for one supplier. In addition, we found that new supplier set ups and supplier amendments were not subject to independent review. (Medium Risk)
- Accounts Receivable - We identified that system payment reminders/ debt recovery letters have not been sent when payments have not been received within the 30-day payment period. Audit testing of two debtors also found that one payment due 13/11/2025 had not been contacted and one payment was first chased on day 55. (Low Risk)
- General Ledger - The current arrangements in place in relation to financial reporting and reconciliations of accounts payable and accounts receivable ledges, and goods received not invoiced (GRNI) have not been reflected in a Standard Operating Procedure (SOP). (Low Risk)

Appendix D: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

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Report to	Audit Committee	
Date	16 March 2026	
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer	
Contact Officer	Elgan Roberts, Head of Finance and Procurement	
Subject	Treasury Management Report Q3 2025/26	

PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members of the North Wales Fire and Rescue Authority (the Authority) with an update on the treasury management activity and compliance with the treasury management prudential indicators for the period 1 September 2025 to 31 December 2025.

EXECUTIVE SUMMARY

- 2 In December 2003, the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice (2021)* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 3 The CIPFA Code also included a new requirement for quarterly reporting of the treasury management indicators from April 2023. The non-treasury prudential indicators are incorporated in the Authority's normal revenue and capital monitoring report.
- 4 The Authority's treasury management strategy for 2025/26 was approved at a meeting on 28 April 2025. As the Authority borrows and invests significant sums of money there are financial risks that need to be considered, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.
- 5 During the year, the Authority's borrowing and investments remained well within the limits originally set. There were no new defaults by banks in which the Authority deposited money.

RECOMMENDATIONS

- 6 Members are asked to:
 - i) **Note the treasury management activities and prudential indicators for the period 1 September 2025 to 31 December 2025.**

EXTERNAL CONTEXT

- 7 UK consumer price inflation (CPI) inflation was 3.2% in November 2025, down from 3.6% in the previous month and lower than the 3.5% expected, but still well above the Bank of England (BoE) target. Core CPI eased to 3.2% from 3.4%, against forecasts of it staying at 3.6%.
- 8 The BoE's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December.
- 9 The Authority's treasury adviser held a central view that Bank Rate would be cut further in 2025/26 with most BoE policymakers remaining more worried about weak GDP growth than higher inflation. Further cuts are expected in 2026, with the central forecast being that Bank Rate will be eased to around 3.25%.

LOCAL CONTEXT

- 10 On 31 December 2025, the Authority had net borrowing of £14.30m arising from capital expenditure.
- 11 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in [Table 1](#) below.
- 12 Table 1 confirms that the Authority's net borrowings were below the Capital Financing Requirement (CFR).

Table 1: Balance Sheet Summary

	31.03.25 Actual £m	31.12.25 Actual £m
General Fund CFR	31.01	26.80
External borrowing	-19.07	-14.30
Internal borrowing	11.94	12.50
Less: Balance sheet resources	-14.46	-14.46
Less: New Investments	2.52	1.96
New borrowing	0.00	0.00

- 13 The treasury management position at 30 December and the change over the nine months is shown in [Table 2](#) below.

Table 2: Treasury Management Summary

	31.3.25 Balance	Movement	31.12.25 Balance	31.12.25 Rate
	£m	£m	£m	%
Long-term borrowing	8.46	2.80	11.26	2.81 - 4.80
Short-term borrowing	10.61	-7.57	3.04	2.81 - 4.90
Total borrowing	19.07	-4.77	14.30	
Short-term investments	0.00	-1.00	-1.00	3.72
Cash and cash equivalents	-2.52	1.56	-0.96	3.00-3.51
Total investments	-2.52	0.56	-1.96	
Net borrowing	16.55	-4.21	12.34	

BORROWING

- 14 CIPFA's 2021 Prudential Code outlines that local authorities must not borrow to invest with the primary objective being financial return. It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement requiring new borrowing, unless directly and primarily related to the functions of the Authority.
- 15 The Authority has not invested in assets for financial return, and all expenditure is related to the discharge of the Authority's functions.

BORROWING STRATEGY AND ACTIVITY

- 16 As outlined in the treasury strategy, the Authority's main objective when borrowing has been to adopt a low-risk strategy balancing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 17 The cost of short-term borrowing from other authorities has been similar to Base Rate during the period at 4.0% to 4.5%.

- 18 The Public Works Loan Board (PWLB) certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.34% at the end. The lowest available 10-year maturity rate was 5.17% and the highest was 5.62%. Rates for 20-year maturity loans ranged from 5.71% to 6.30% during the period, and 50-year maturity loans from 5.46% to 6.14%.
- 19 As of 31 December 2025, the Authority held £14.30m of loans, a decrease of £4.77m compared to 31st March 2025. A summary of outstanding loans as of 31st December is provided in [Table 3A](#) below.

Table 3A: Borrowing Position

	31.3.25 Balance £m	Net Movement £m	31.12.25 Balance £m	31.12.25 Weighted Average Rate %	31.12.25 Weighted Average Maturity (years)
Public Works Loan Board	14.073	0.226	14.299	3.720	6.290
Local authorities (short-term)	5.00	-5.00	0.000	0.000	0.000
Total borrowing	19.07	-4.77	14.299		

- 20 The Authority took out a new £5M short-term local authority loan in December '24 which was repaid in August '25. It took out two further loans with the PWLB: £2M in August '25 repayable by 2030 and £1M in October '25 repayable by 2035. All other short-term loans are held with the PWLB. Further borrowing is not required until January/February '26, however, if there is a sudden movement in the market with improved rates this will be utilised upon advised from our treasury advisors Arlingclose.

Table 3B: Long-dated Loans borrowed

	Amount £m	Rate %	Period (Years)
PWLB Maturity Loan	2.00	4.80	27
PWLB EIP Loan	0.59	3.09	12
PWLB EIP Loan	4.17	3.91	15
PWLB EIP Loan	1.00	4.80	10
Total borrowing	7.76		

- 21 The Authority's borrowing decisions are not predicated on any one outcome for interest rates and seeks to maintain a balanced portfolio of short- and long-term borrowing.

TREASURY INVESTMENT ACTIVITY

- 22 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 23 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the nine months, the Authority's investment balances ranged between £1.03m and £13.73m. The investment position is shown in [Table 4](#) below.

Table 4: Treasury Investment Position

	31.3.25		31.12.25	31.12.25	31.12.25
	Balance	Net Movement	Balance	Income Return	Weighted Average Maturity
	£m	£m	£m	%	days
Banks & building societies	2.52	-1.56	0.96	3.00-3.51	On call
Fixed Term		0.00	0.00		
Central Government		1.00	1.00	3.72	5
Total investments	2.52	0.56	1.96		

- 24 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 25 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.

- 26 Bank Rate reduced from 4.5% to 4.25% in May, followed by a further reduction to 4.00% in August 2025 and to 3.75% in December 2025. Short term interest rates have largely followed these levels. The rates on DMADF deposits ranged between 3.95% and 3.70% and money market rates between 3.51% and 4.34%.

COMPLIANCE

- 27 All treasury management activities undertaken during the year complied with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy. North Wales Fire and Rescue Service (the Service) hold two call accounts that are used to place short term deposits, with Lloyds Bank and Barclays Bank. The interest rates being offered on treasury deposits tend to be more favourable; however, deposits were held with Lloyd and Barclays during the period due to the liquidity requirement for purchasing the land for the new training centre.
- 28 The Authority also utilises its Debt Management Office (DMO) account, as the Treasury Management Strategy allows for unlimited funds to be placed with the DMO.
- 29 Compliance with specific investment limits is demonstrated in [Table 5](#) below.

Table 5: Investment Limits

Institution	Description	Limit	30.09.25 Actual	Complied? Yes/No
Banks	All UK banks and their subsidiaries that have good ratings (Fitch or equivalent). This is currently defined as long term (BBB)	£5m	£0.96m	yes
Central Government	Debt Management Office (DMO)	Unlimited	£1.00m	yes
Money Market Funds (MMF)	Only in conjunction with advice for Arlingclose	£1m per fund	0	yes
Local Authorities	All except those subject to limitation of council tax and precepts under Part 1 of the Local Government Finance Act 1992	£2m	0	yes
Building Societies	Building societies with a rating (as for the banking sector)	£2m	0	yes
Building Societies (Assets £1bn)	Building societies without a rating but with assets of £1billion or more	£2m/9 months	0	yes

- 30 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in [Table 6](#) below.

Table 6: Debt and the Authorised Limit and Operational Boundary

	31.12.25 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	14.30	28.99	30.99	Yes
Total debt	14.30	28.99	30.99	

- 31 Since the operational boundary is a management tool for in-year monitoring there may be occasions when actual borrowing exceeds this target. This may be due to variations in cash flow and short-term breaches would not count as a compliance failure.

TREASURY MANAGEMENT INDICATORS

- 32 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

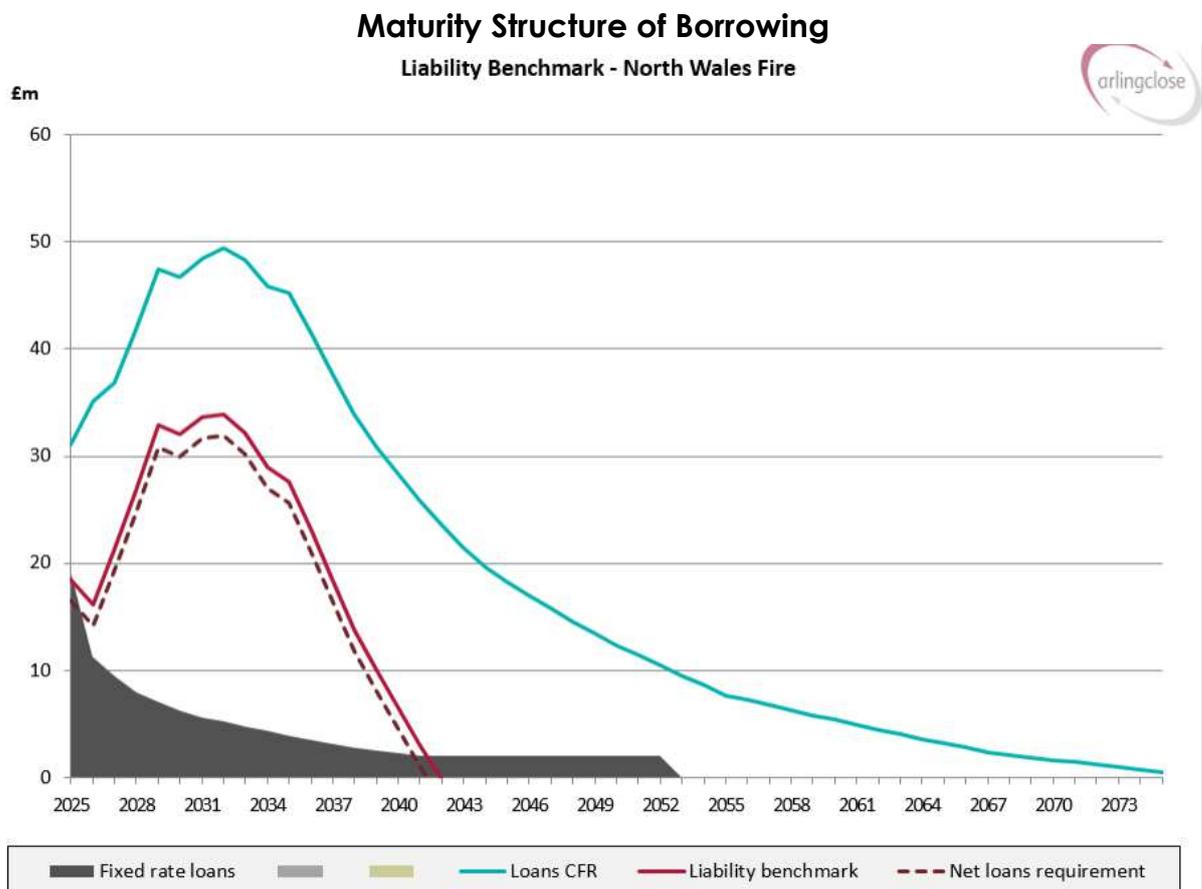
Liability Benchmark

- 33 This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making.
- 34 The indicator represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £2.0m required to manage day-to-day cash flow.

	31.03.25 Actual £m	31.12.25 Actual £m	31.03.26 Forecast £m	31.03.27 Forecast £m
Loans CFR	31.01	26.80	35.20	39.50
Less: Balance sheet resources	-14.46	-14.46	-21.00	-17.50
Net loans requirement	16.55	12.34	14.20	22.00
Plus: Liquidity allowance	2.00	2.00	2.00	2.00
Liability benchmark	18.55	14.34	16.20	24.00
Existing borrowing	-19.07	-14.30	-11.30	-10.30

- 35 The above forecast does not include any costs for the proposed training centre.

- 36 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £4m - £6m a year, minimum revenue provision on new capital expenditure based on the current asset lives, as per the accounting policy, income and expenditure increasing by inflation of 2.5% p.a. and a reduction in reserves. This is shown in the [chart below](#) together with the maturity profile of the Authority's existing borrowing.
- 37 The graph shows that the Authority is expecting to need to borrow in future years. The Authority will always have a borrowing requirement as it does not hold significant cash or reserves and only has limited access to capital grant funding.
- 38 The blue line represents the need to fund capital expenditure through borrowing (the Capital Financing Requirement or CFR). The red lines represent the need to fund capital expenditure through borrowing once reserves and working capital surplus' (or deficits) have been taken into account – this is actually the real need to borrow which CIPFA have defined as being the Liability Benchmark. The dashed red line represents the position at year end, and the solid line represents the average mid-year position. The grey shaded areas show actual loans. When the grey area falls below the red lines this infers a borrowing need.



- 39 This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.12.25 Actual	Actual Limit	Upper Limit	Lower Limit	Complied Y/N
<12 months	2.2	15.40%	60.00%	0.00%	Y
12 months and <24 months	1.2	8.40%	45.00%	0.00%	Y
24 months and < 5 years	3.00	20.99%	45.00%	0.00%	Y
5 years and <10 years	1.00	7.00%	75.00%	0.00%	Y
>10 years	6.89	48.22%	100.00%	0.00%	Y

- 40 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term Treasury Management Investments

- 41 The Authority does not hold any long-term treasury investments.

IMPLICATIONS

Wellbeing Objectives	This report links to the Authority'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.

Report to	Audit Committee
Date	16 March 2026
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer
Contact Officer	Elgan Roberts, Head of Finance and Procurement
Subject	Financial Strategies and Statements for 2026/27



PURPOSE OF REPORT

- 1 The purpose of this report is to present North Wales Fire and Rescue Authority (the Authority) with the statutory financial strategies and statements for 2026/27: the Capital Strategy, the Treasury Management Strategy, and the Minimum Revenue Provision (MRP) Statement. These documents set the framework for capital investment, borrowing, and repayment of debt.

EXECUTIVE SUMMARY

- 2 The strategies provide the Authority's approach to capital expenditure, financing, borrowing, investment, and MRP for 2026/27.
- 3 They ensure compliance with the Local Government Act 2003, the CIPFA Prudential Code, and the CIPFA Treasury Management Code.
- 4 The financial implications, prudential indicators, governance arrangements, and risk management approach for 2026/27 are set out in the accompanying reports.

RECOMMENDATIONS

- 5 Members are asked to:
 - i) **Endorse the Capital Strategy**
 - ii) **Endorse the Treasury Management Strategy including prudential indicators.**
 - iii) **Endorse the Annual MRP Statement 2026/27.**

BACKGROUND

- 5 The Authority is required each year to approve a Capital Strategy, a Treasury Management Strategy, and an MRP Statement. Together, they ensure that long-term capital investment plans are affordable, prudent, and sustainable, and that borrowing and investment activities are managed within a robust control framework.

INFORMATION

- 6 The Capital Strategy (the Strategy) and associated Prudential Indicators, is contained within Appendix 1 and provides an overview of anticipated capital expenditure for the next 10 years, and capital financing requirements and treasury management activity, for the next 3 years.
- 7 The Capital Strategy sets out proposed capital expenditure, funding sources, and long-term investment priorities.
- 8 The Treasury Management Strategy outlines the approach to borrowing, investments, cash flow management, and associated prudential indicators.
- 9 The MRP Statement confirms the method for calculating the prudent charge to revenue for the repayment of debt.
- 10 All supporting detail is provided in the full reports appended.

IMPLICATIONS

Wellbeing Objectives	The strategies support long-term sustainability by ensuring investment decisions enable safe and effective service delivery.
Budget	Financing costs arising from borrowing and MRP have been reflected within the 2026/27 revenue budget.
Legal	The strategies meet statutory requirements under the Local Government Act 2003 and relevant CIPFA codes.
Staffing	No direct staffing implications.
Equalities/Human Rights/Welsh Language	No direct staffing implications.
Risks	The reports set out the financial risks associated with borrowing and investment activities.



Gwasanaeth Tân ac Achub
Fire and Rescue Service

Financial Strategies and Statements for 2026-27

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Treasury Management Strategy Statement 2026/27

Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the Authority to approve an investment strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

Revised strategy: In accordance with the WG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large, unexpected change in interest rates, in the Authority's capital programme or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.

External Context

Economic background: The most significant impacts on the Authority’s treasury management strategy for 2026/27 are expected to include: the influence of the government’s 2025 Autumn Budget, lower short-term interest rates alongside higher medium and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.

The Bank of England’s (BoE) Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.

Interest rate forecast: Bank rate was held at 3.75% in February, but a cut in Q1 2026 remains probable following a more dovish MPC stance. Arlingclose, the Authority’s treasury management adviser, expect Bank Rate to be cut to 3.25% by middle of 2026.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 3.95%, and that new long-term loans will be borrowed at an average rate of 4.61%.

Local Context

On 31st December 2025, the Authority held £14.30m of borrowing and £1.96m of treasury investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
Capital financing requirement	31.00	35.20	39.50	46.40	49.80
Less: Other debt liabilities *					
Loans CFR	31.00	35.20	39.50	46.40	49.80
Less: External borrowing **	-19.10	-14.30	-12.10	-10.30	-9.10
Internal borrowing	11.90	20.90	27.40	36.20	40.70
Less: Balance sheet resources	-14.50	-21.00	-17.50	-17.00	-16.50
Net Treasury investments and new Borrowing	2.50	0.10	-9.90	-19.10	-24.20

* leases and PFI liabilities that form part of the Authority’s total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £24.2m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2026/27

Liability benchmark: To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £2m at each year-end to maintain sufficient liquidity but minimise credit risk.

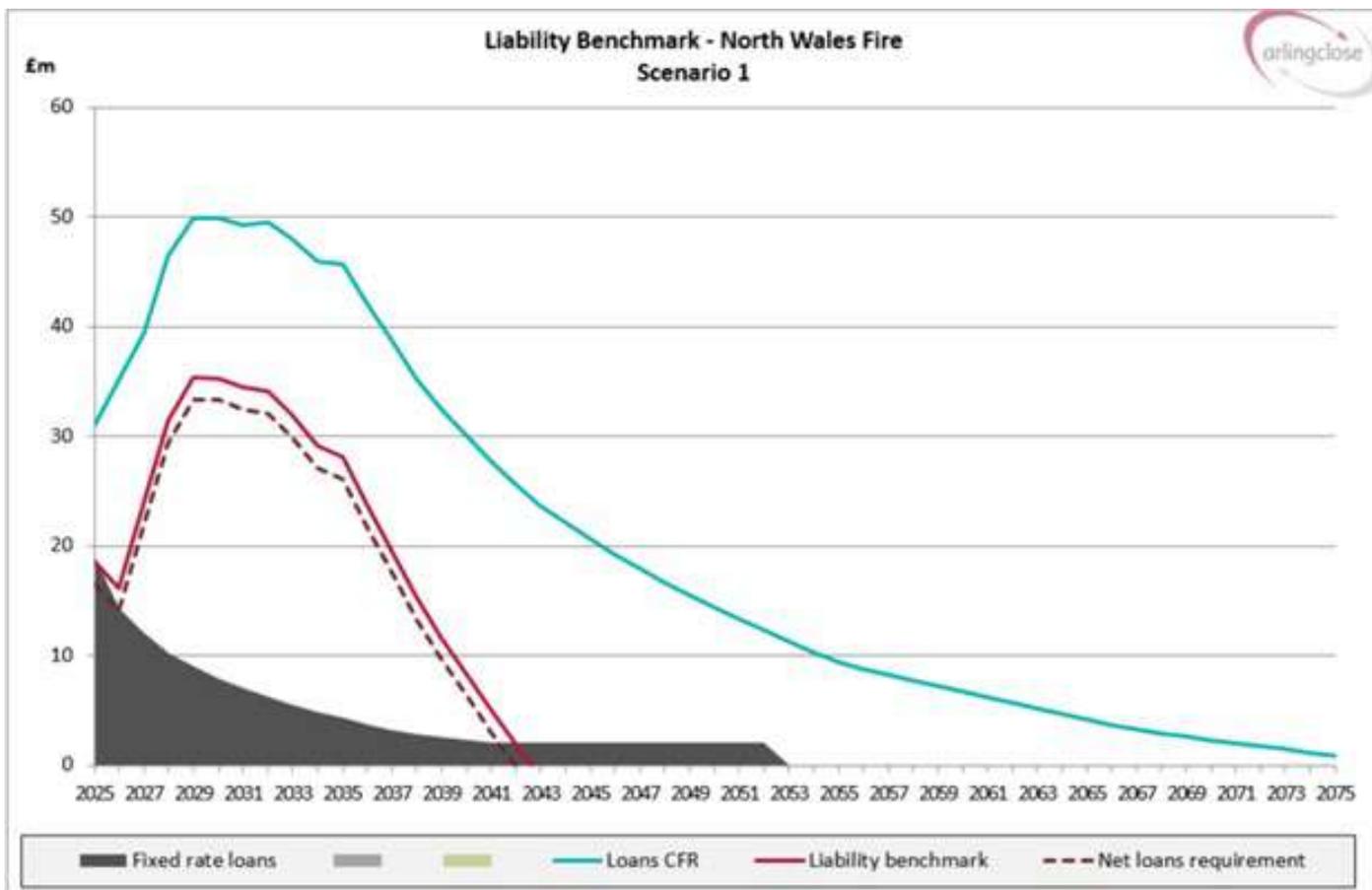
The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
Loans CFR	31.00	35.20	39.50	46.40	49.80
Less: Balance sheet resources	-14.50	-21.00	-17.50	-17.00	-16.50
Net loans requirement	16.60	14.10	22.00	29.40	33.30
Plus: Liquidity allowance	2.00	2.00	2.00	2.00	2.00
Liability benchmark	18.60	16.10	24.00	31.40	35.30

Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes cumulative capital expenditure funded by borrowing of £22.0m in 2026/27, £29.4m in 2027/28 and £33.3m in 2028/29.

Minimum revenue provision on new capital expenditure based on the asset life for the class of asset and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing:



The Authority will continue to be a borrower, as the authority does not hold investments or reserves to fund the capital plan. The blue line denotes the need to fund capital expenditure through borrowing. The red lines represent the need to fund capital expenditure through borrowing once reserves and working capital surplus' (or deficits) have been taken into account – this is actually the real need to borrow which CIPFA have defined as being the Liability Benchmark. The dashed red line represents the position at year end and the solid line represents the average mid-year position. The grey shaded areas show actual loans. When the grey area falls below the red lines this infers a borrowing need.



Borrowing Strategy

The Authority currently holds £14.30m of loans, a decrease of £4.77 million on balance at 31 March 2025, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £9.90 million in 2026/27. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £35.30 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates have fallen over the past year, and are expected to fall a little further, and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasury management prudential indicators, see below.

By doing so, the Authority is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised all its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity to retain its access to PWLB loans.

Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body

- UK public and private sector pension funds (except for the Clwyd Pension Fund - Local Government Pension Scheme)
- special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- sale and leaseback
- similar asset-based finance

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Treasury Investment Strategy

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £1.034m. and £13.733m.

Objectives: Both the CIPFA Code and the WG Guidance require the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy: As demonstrated by the liability benchmark above, the Authority expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£2m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	Unlimited
Registered providers (unsecured) *	5 years	£1m	Unlimited
Money market funds *	n/a	£1m	Unlimited
Other investments *	5 years	£1m	Unlimited

This table must be read in conjunction with the notes below

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

UK Government: Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Local authorities and other government entities: Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

Operational bank accounts: The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £5m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

Liquidity management: The Authority undertakes cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

The Authority will spread its liquid cash over at least two providers (e.g. bank accounts and money market funds), to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit	A

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£2m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	-£0.030m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0.030m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	30%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial derivatives: In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

Markets in Financial Instruments Directive: The Authority has retained with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but with the greater regulatory protections afforded to individuals and small companies. Given

the size and range of the Authority's treasury management activities, the Authority's officers believe this to be the most appropriate status.

Government Guidance: Further matters required by the WG Guidance are included in Appendix C.

Financial Implications

The Authority does not hold an investment portfolio and therefore does not budget for investment income. Any income generated relates solely to the overnight placement of surplus cash, for which a budget of £0.037m has been set for 2026/27.

The budget for debt interest paid in 2026/27 is £0.876m, based on an average debt portfolio of £21.224m at an average interest rate of 3.95%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Authority's Treasurer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. For information only, some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast – February 2026

Underlying assumptions:

- While the MPC acceded to widely held expectations to leave Bank Rate unchanged at 3.75% in February, the decidedly dovish tone in which the decision was delivered prompted investors to reassess interest rate expectations. Four Committee members voted to reduce rates, but two of the slim holding majority also indicated that they would likely vote for a cut soon.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. After reviewing new analysis on wage growth, more policymakers now appear to believe that high wage growth will decline as the labour market continues to weaken, thus undermining previous fears of inflationary persistence. Household inflation expectations remain elevated, but there is a growing consensus that these will ease as headline inflation drops back to target, in line with historical observations. This brings the Committee's view more in line with our own.
- Some economic data has been stronger than expected, such as November GDP growth and recent PMI releases. However, these follow a period of consistent weakness since Q1 2025, GDP growth during which was bolstered by investment/spending ahead of Trump's tariff announcements. While activity data may be stabilising, this does not appear to be causing stronger hiring intentions, with survey evidence suggesting that businesses continue to shed employees. This will only prompt further weakness in spending as households continue to maintain a cautionary stance.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the bar to further rate cuts beyond 3.25% is relatively high, as policy makers become more cautious as monetary policy becomes looser.
- Recent moves have steepened the yield curve, as investors price a lower path for short term rates. However, sustained heavy borrowing across advanced economies, continued outperformance of the the US economy, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by UK interest rate expectations alone.
- Furthermore, while attention has recently shifted away from the UK government's fiscal position, potential changes to political leadership may prompt a higher path for yields should a new team be less fiscally restrained.

Forecast:

- Bank Rate was held at 3.75% in February, but a cut in Q1 2026 remains probable following a more dovish MPC stance.
- Continued disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026.

- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher than would normally be consistent with Bank Rate expectations.

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.79	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.91	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.54	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.24	5.10	5.05	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.05	5.05	5.05
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.90	4.80	4.75	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.75	4.75	4.75
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%; PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
 PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%; National Wealth Fund Rate (Maturity Loans) = Gilt yield + 0.40%

- PWLB Standard Rate = Gilt yield + 1.00%
- PWLB Certainty Rate = Gilt yield + 0.80%
- PWLB HRA Rate = Gilt yield + 0.40%
- National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Appendix B – Additional requirements of Welsh Government Investment Guidance

	Jan-26 Actual portfolio £m	Jan-26 Average Rate %
External borrowing: Public Works Loan Board Local Authorities Total borrowing	14.80 14.80	3.92%
Other long-term liabilities: Finance Leases Total gross external debt	0.00 14.80	
Treasury investments The UK Government Banks (unsecured) Total treasury investments	2.10 1.03 3.13	
Net Debt	11.67	

Appendix C – Additional requirements of Welsh Government Investment Guidance

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities that are not integral to this Authority's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.

Contribution: The Authority's investments contribute to its service delivery objectives and/or to promote wellbeing as follows:

- treasury management investments support effective treasury management activities,

Climate change: The Authority's investment decisions consider long-term climate risks to support a low carbon economy to the extent that the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Specified investments: The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local authority,
- not defined as capital expenditure by legislation, and

- invested with one of:
 - ◊ the UK Government,
 - ◊ a UK local authority, parish council or community council, or
 - ◊ a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher.

Loans: The WG Guidance defines a loan as a written or oral agreement where the authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local authority.

The Authority does not have any financial exposure to loans to local enterprises, local charities, wholly owned companies and joint ventures.

Non-specified investments: The Authority does not have any non-specified investments.

Non-financial investments: The Authority does not have any non-financial investments.

Investment advisers: The Authority has appointed Arlingclose Limited as treasury management advisors. The quality of these services is controlled by an internal review.

Capacity and skills: The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Treasurer, Assistant Chief Fire Officer (Finance and Resources), and Head of Finance and Procurement are qualified accountants with many years’ experience.

The Authority currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

Arlingclose have provided training to members of the Audit Committee, who have responsibility for reviewing treasury management activities.

Corporate governance: All treasury activity is reported to the Audit Committee and Fire Authority, on a quarterly basis. The reports are presented by the Treasurer or Assistant Chief Fire Officer (Finance & Resources). Members have the opportunity to ask questions, following the presentations.

Capital Strategy Report 2026/27

Introduction

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes-technical areas.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where the Authority spends money on assets, such as land, property, equipment or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

In 2026/27, the Authority is planning capital expenditure of £6.661m for General Fund service and £2.265m for the Hwb Awen (Training Centre) as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
General Fund services	3.821	6.103	6.661	9.654	7.200
Hwb Awen	2.714	1.333	2.265	20.564	24.748
Total	6.535	7.436	8.926	30.218	31.948

The main General Fund capital projects include building works, fleet including specialist vehicles, equipment, information technology and decarbonisation activities. Included separately is the aspiration to construct a centralised training centre, Hwb Awen. Approval has been given by the Fire Authority to complete enabling works, where final approval and funding is required for construction phase for 2027/28 onwards.

Governance: By September each year, managers submit bids to include projects in the Authority's capital programme. Bids are collated by the Head of Finance who calculates the financing requirement and cost for inclusion within budget setting assumptions. The Service Leadership Team appraises all bids based on a comparison of strategic priorities and departmental objectives, mitigation of risks, and impact against wellbeing of future generations act, and makes recommendations for schemes to be included in the capital plan. The final capital programme is then presented to the Audit Committee and Executive Panel in December and to the Fire and Rescue Authority in January each year.

- The full details of the Authority's capital programme is within the MTRS Report

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2024/25 actual	2025/26 forecast	2026/27 budget *	2027/28 budget	2028/29 budget
Reserves	0.049	1.379	0	0	0
Revenue resources	1.459	1.451	1.000	1.250	1.500
Debt	4.108	3.746	6.139	8.404	5.700
Grants	0.918	0.860	0.500	20.564	24.748
Total	6.535	7.436	8.926	30.218	31.948

The above debt and Grant includes the new training centre, as detailed in Table 1.

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of prior years' debt finance in £ millions

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
Minimum revenue provision (MRP)	1.957	2.015	2.241	2.564	2.944
Capital receipts	0	0	0	0	0
Total	1.957	2.015	2.241	2.564	2.944

- The Authority's full minimum revenue provision statement is available as part of the Treasury Management Strategy

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £4.30m during 2026/27. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
General Fund services	31.00	35.20	39.50	46.40	49.80

The above debt excludes the new training centre, as detailed in Table 1 as it is assumed that this will be fully funded by grant funding.

Asset management: To ensure that capital assets continue to be of long-term use, the Authority is developing an Estate strategy.

Asset disposals: 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. Repayments of capital grants, loans and investments also generate capital receipts. The Authority is not planning to receive any capital receipts in the coming financial year.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority’s spending needs, while managing the risks involved. This includes the management of borrowing to fund capital expenditure as well as the day-to-day management of revenue cash. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Authority currently has £14.80m borrowing at an average interest rate of 3.92%.

Borrowing strategy: The Authority’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.

The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

Projected levels of the Authority’s total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2025 actual	31.3.2026 forecast	*31.3.2027 budget	*31.3.2028 budget	*31.3.2029 budget
Debt (incl. Finance leases)	19.07	14.26	22.12	24.92	33.55
Capital Financing Requirement	31.00	35.20	39.50	46.40	49.80

*The above debt includes the new training centre, as detailed in Table 1. It is assumed that construction phase will be fully funded from grants.

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.

Liability benchmark: To compare the Authority’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £2m at each year-end. This benchmark is currently £16.10m and is forecast to rise to £35.30m over the next three years.

The liability benchmark does not include the cost of construction for the new training centre.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
Outstanding borrowing	19.07	14.26	22.12	24.92	33.55
Liability benchmark	18.60	16.15	23.98	31.41	35.33

The table shows that the Authority expects to remain borrowed below its liability benchmark.

Affordable borrowing limit: The Authority is legally obliged to set an authorised limit for external debt each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2025/26 limit	2026/27 limit	2027/28 limit	2028/29 limit
Authorised limit – borrowing	30.99	38.12	42.42	49.32
Operational boundary – borrowing	28.99	36.12	39.42	45.32

- Further details on borrowing are in the treasury management strategy

Treasury investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Authority’s policy on treasury investments is to prioritise security and liquidity over yield and as such it places short term cash surpluses into bank call accounts or with the UK Debt Management Office until required. The Authority does not have long term investments. Cash that is likely to be spent in the near term is invested securely, with selected high-quality (creditworthy) banks, to minimise the risk of loss.

Risk management: The effective management and control of risk are prime objectives of the Authority’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. The Treasury Management Strategy excludes the construction phase borrowing requirement for Hwb Awen pending confirmation of full grant funding.

The treasury management prudential indicators are included in the treasury management strategy

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to an Assistant Chief Fire Officer and officers, who must act in line with the treasury management strategy approved by the Authority. Reports on treasury management activity are presented to committee. The Audit Committee is responsible for scrutinising treasury management decisions.

Liabilities

The Authority may need to cover the costs of changes to firefighter pension regulations. If no extra funding is received, it will use the pensions reserve to manage any additional expenses and limit increases to the levy.

Governance: Decisions on incurring new discretionary liabilities are taken by the Head of Finance in consultation with an Assistant Chief Fire Officer. The risk of liabilities crystallising and requiring payment is monitored by the Head of Finance and reported annually to the Fire Authority. New liabilities exceeding £1m are reported to the Authority for notification as appropriate.

- Further details on liabilities are on pages 43 and 65 of the [2024/25 statement of accounts](#).

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from the levy and general government grants.

Table 11: Prudential Indicator: Proportion of financing costs to net revenue stream

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
Financing costs (£m)	3.189	4.407	4.501	5.200	5.900
Proportion of net revenue stream	6.48%	8.41%	8.16%	9.2%	10.0%

- Further details on the revenue implications of capital expenditure are detailed within the 2026/27 revenue budget [here](#).

Sustainability: Because capital expenditure and financing decisions affect budgets far into the future, spending over the next few years will have revenue implications for up to 50 years. Adding the new training centre poses financial challenges because of its size and expense; however, currently, the impact on capital financing is restricted to the preconstruction stage, as a full capital grant for construction stage is being sought.

Knowledge and Skills

The Authority entrusts capital, borrowing, and investment decisions to professionally qualified staff with extensive experience, including accountants in key roles such as Treasurer and Head of Finance. It supports employees pursuing relevant certifications like CIPFA and AAT. External specialists, including Arlingclose Limited for treasury management, and Facilities Management consultants engaged through a Service Level Agreement, supplement internal expertise. This strategy is cost-effective and aligns the Authority's skills base with its risk management needs.

Minimum Revenue Provision Statement 2026/27

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Authority to have regard to Welsh Government’s *Guidance on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2018.

The broad aim of the WG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The WG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends several options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance:

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

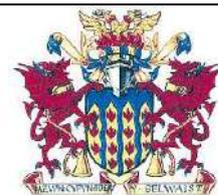
Capital expenditure incurred during 2026/27 will not be subject to a MRP charge until 2027/28 or later.

Based on the Authority’s latest estimate of its capital financing requirement (CFR) on 31st March 2026, the budget for MRP has been set as follows:

	31.03.2026 Estimated CFR £m	2026/27 Estimated MRP £
General Fund	35.2	2.2

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Report to	Audit Committee
Date	16 March 2026
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer
Contact Officer	Elgan Roberts, Head of Finance and Procurement
Subject	Medium-Term Resource Strategy 2026-30



PURPOSE OF REPORT

- 1 The purpose of this report is to present the Medium-Term Resource Strategy (MTRS) for 2026–2030, providing Members with the financial framework that supports delivery of the Community Risk Management Plan (CRMP) 2024–2029 and sets out North Wales Fire and Rescue Authority's (the Authority) medium-term financial outlook, risks and planning assumptions.

EXECUTIVE SUMMARY

- 2 The MTRS outlines how the Authority will resource CRMP delivery over the period 2026–2030, ensuring alignment between operational priorities, available funding, and statutory responsibilities.
- 3 The financial environment remains challenging due to inflation, pay uncertainty, capital financing pressures, and the introduction of Emergency Services Network (ESN) costs.
- 4 Despite these pressures, the Authority's financial position remains sustainable, supported by planned efficiencies, prudent use of reserves, and a structured approach to financial risk management.
- 5 Indicative levy requirements and capital programme are provided to support forward planning by constituent local authorities and will be subject to annual approval and scrutiny.

RECOMMENDATIONS

- 6 Members are asked to:
 - i) **Endorse the Medium-Term Resource Strategy 2026–2030.**

BACKGROUND

- 7 The Authority is required to set a balanced, sustainable financial plan that supports delivery of the CRMP.
- 8 The MTRS provides the medium-term financial context, setting out assumptions on pay, prices, capital financing, reserves, and anticipated funding. It ensures transparency for Members and constituent authorities and informs annual budget-setting.

INFORMATION

- 9 The Strategy confirms the planned financial envelope for 2026–2030, including:
 - major cost drivers (pay, inflation, estates, fleet, ESN)
 - capital programme impacts, including the development of Hwb Awen (subject to external funding)
 - reserves strategy and planned drawdown profile
 - indicative levy modelling for constituent authorities
- 10 The 10-year capital plan remains a key element of medium-term planning, with significant expenditure forecast in 2027/28 and 2028/29.
- 11 The Strategy embeds a structured approach to efficiencies, with productivity improvements and targeted non-cash and cash-releasing savings.
- 12 All detailed assumptions, tables and modelling are contained in the full MTRS document.

IMPLICATIONS

Well-being Objectives	The MTRS supports the Service's Improvement and Well-being Objectives by ensuring financial resources are aligned to long-term risk reduction, operational effectiveness, and sustainability.
Budget	The MTRS sets the planning parameters for future budgets, incorporating inflation, pay, capital financing, and ESN costs, alongside efficiencies and planned reserve use.
Legal	The Authority must set a balanced budget each year under the Local Government Finance Act 1992. The MTRS underpins this legal requirement by providing a robust medium-term planning framework.
Staffing	Over 70% of expenditure relates to staffing. Pay awards, recruitment challenges and workforce planning remain key financial considerations.
Equalities/Human Rights/Welsh Language	These considerations are integrated into financial planning and will continue to be addressed through CRMP delivery and annual budget processes.
Risks	Key risks include uncertainty in national pay settlements, non-pay inflation, ESN cost pressures, interest rate movements, and reliance on reserves to smooth projected increases. Mitigations are outlined within the Strategy.



Gwasanaeth Tân ac Achub
Fire and Rescue Service



Medium-Term Resource Strategy 2026 – 2030

1. Purpose of the Medium-Term Resource Strategy (MTRS)

The MTRS sets out how North Wales Fire and Rescue Authority (the Authority) will resource the delivery of the Community Risk Management Plan (CRMP) 2024–2029. The CRMP identifies community risks across North Wales and defines the five principles, People, Prevention, Protection, Response and Environment, that guide how the Service will reduce risk and enhance community safety.

In the current global economic climate public financial management is more important than ever and the MTRS provides the financial framework to:

- Ensure resources directly support CRMP delivery and annual CRMP Implementation Plans.
- Fund the assets, workforce, estate, fleet and systems needed to manage the identified risks.
- Enable sustainable planning over the medium term, linking operational priorities to financial availability.
- Maintain a resilient financial position to support long term risk-based service planning.

2. Aims of the Strategy

The MTRS assists in:

- Supporting delivery of the Community Risk Management Plan 2024-2029;
- Ensure financial sustainability during a period of inflationary and operational pressures.
- Maintain sufficient reserves to manage volatility and emerging risk.
- Enable investment in critical operational capability

3. Key Messages

Strategic Alignment: The MTRS provides the financial framework to support delivery of the CRMP 2024–2029, ensuring resources are aligned to the Authority's operational priorities and statutory responsibilities.

Financial outlook: The medium-term financial outlook remains challenging, driven by inflationary pressures, capital financing costs and nationally driven programmes; however, the Authority's overall financial position is assessed as sustainable over the planning period.

Cost drivers and future pressures: Pay remains the Authority's largest area of expenditure and financial risk, with continued uncertainty around national pay awards alongside sustained non-pay inflation. The Strategy also reflects significant emerging pressures, including the revenue impact of the capital programme, estate and the introduction of Emergency Services Network (ESN) costs from 2028/29.

Efficiencies and prudent reserve use: These pressures are mitigated through planned efficiencies and productivity improvements, together with the prudent and time-limited use of reserves.

Levy: Indicative levy assumptions are included to support forward planning for constituent authorities, recognising that final levy decisions will be taken annually.

4. Principles of the Strategy

The MTRS aligns closely with many NWFRA strategies detailed in Appendix 1, ensuring financial planning supports the Service's long-term strategic and operational aims.

The Authority is committed to living within its approved budgets, maintaining strong financial discipline, and ensuring spending remains within levy-set estimates.

A prudent General Reserve will be maintained and reviewed annually, with any excess used flexibly where it delivers clear value. Earmarked reserves will be held only for justified purposes that directly support agreed objectives and CRMP commitments.

Across all decisions, the Authority will prioritise value for money by securing economy, efficiency and effectiveness, strengthening procurement, and driving continuous improvement. A rolling three year revenue forecast and ten-year capital plan underpins sustainable levy setting and medium-term decision making.

Finally, the Authority, Treasurer and Chief Fire Officer will remain engaged in national fire funding reviews and will continue to advocate for a fair, equitable and sustainable funding model for North Wales.

5. Economic outlook

The UK economy has continued to experience marginal growth. Latest ONS data show GDP increased by 0.1% in the three months to December 2025, and 1% higher than Q4 2024.

Labour market conditions have continued to ease, with unemployment rising to five year high of 5.2% and payroll

employment falling, although vacancies have broadly stabilised.

Inflation has fallen but remains above target, with CPI at 3.4% in December 2025. The Bank of England has reduced Bank Rate to 3.75% and signalled further gradual easing during 2026.

For Wales, core funding for local authority increased by 4.5% for 2026/27, providing improved short-term certainty, though pressures continue to exceed funding growth and long term stability.

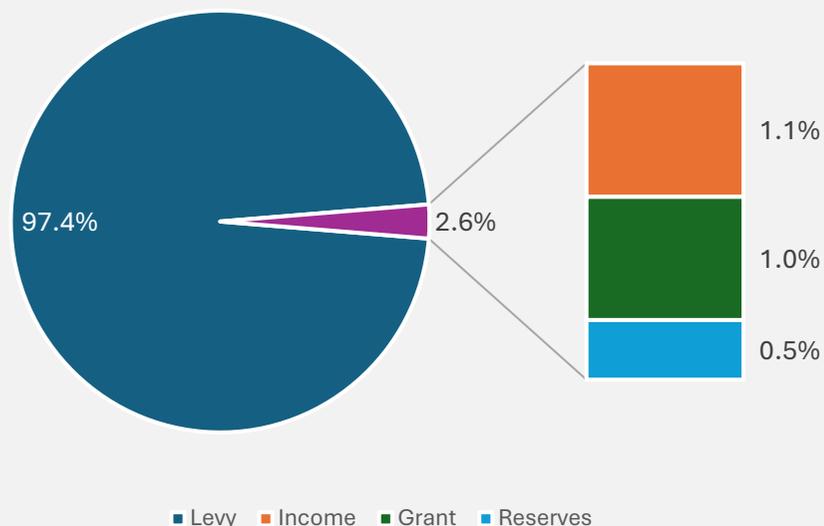
Implications for 2026/27 and beyond:

- Continued pressure on local authority funding is likely, increasing the risk of sustained levy pressure for the Fire Authority over the medium term.
- Ongoing reductions or consolidation of Welsh Government grants will heighten reliance on core funding and reduce flexibility.
- Persistent labour-market competitiveness is expected to keep recruitment and retention challenging across both operational and non-operational roles.
- Public-sector pay awards may remain above inflation, creating recurring baseline pressures year-on-year.
- Borrowing costs are expected to fall more slowly, affecting long-term affordability of the capital programme and limiting future investment capacity. Increased uncertainty in national fire funding arrangements means long-term planning will continue to require caution, scenario modelling, and a focus on financial resilience.

6. Financial Context

North Wales FRA is predominately funded via a levy on the six constituent councils, apportioned by population, with no council tax precept or retained business rates at FRA level; however, ongoing Welsh Government consultation on potential changes to governance and funding arrangements introduces uncertainty over the long-term structure and stability of this model.

Funding is received from the Welsh Government in the form of specific grants. The value of these grants has reduced in recent years and currently represents around 1% of total expenditure. Based on the 2026/27 budget, 97.4% of expenditure is funded through the levy, with the remaining 1.6% met from other income sources and the planned use of reserves.



7. Current Financial position

The Authority's budget for 2025/26 is £51.79m. The latest revenue monitoring report shows a projected budget underspend of £0.061m, as at 30 November 2025.

	2025/26 Budget (£m)	Forecast (£m)	Variance (£m)	Variance (%)
Employees	38.23	37.62	0.62	1.6
Premises	2.82	3.09	-0.28	-9.8
Transport	1.33	1.49	-0.16	-12.2
Supplies	6.18	5.84	0.34	5.5
Third Party	0.37	0.43	-0.06	-16.5
Capital Finance	4.50	3.85	0.65	14.4
Income	-1.04	-1.14	0.10	-9.8
Use of Reserves	-0.60	0.61	-1.21	201.3
Total	51.79	51.79	0.00	0.0

The budget is held by the Authority to provide the financial resources required to deliver operational fire response and protection services. The Capital Financing budget comprises the revenue provision for the repayment of borrowing, interest costs and investment income.

The forecast closing position on usable reserves at 31 March 2026 is £11.491m, reflecting the transfer of the projected £0.061m underspend to earmarked reserves.

8. Service Context

NWFRA is delivering its five-year Community Risk Management Plan (CRMP), which sets out how risks across the region will be assessed and mitigated through targeted prevention, protection and response activity.

The Service will continue aligning workforce planning, crewing models, and capital investment to CRMP priorities to ensure resources are deployed efficiently and sustainably.

Medium-term planning must also reflect pressures expected over the period, including pay and price inflation, pension volatility, and the revenue impacts of the 10-year capital programme, particularly the development of Hwb Awen, a new Training Centre, which will replace fragmented sites with a single modern facility once external construction funding is secured.

Alongside this, the Service is progressing a collective agreement implementation pilot, testing new workforce arrangements to enhance response, resilience and operational effectiveness. The outcomes of the pilot will inform future workforce planning, financial assumptions and service design as the organisation adapts to evolving risk and demand.

Collectively, these factors form the operating context for 2026/27 and beyond, shaping how the Authority prioritises investment, manages resources and maintains a high-quality, community-focused fire and rescue service within the financial constraints of the medium term.



9. Medium-Term Budget Pressures in North Wales

The medium-term financial outlook for NWFRA is shaped by several significant and inter-related budget pressures. These pressures reflect both national cost drivers and local strategic priorities and have been incorporated into the MTRS. Key areas include:

(i) Pay and Price Inflation

Pay remains the Service's largest cost pressure, with medium-term forecasts reflecting continued uncertainty in national pay awards (assumed at 3.8%, 3.2%, 3%, 2.8% for 2026/27–2029/30). Increasing demand arising from more frequent extreme weather events also places upward pressure on pay costs.

Non-pay inflation continues to affect energy, insurance, business rates, ICT and services, all of which remain above long-term averages and therefore require prudent provision.

(ii) Estate Backlog

NWFRA, in line with Fire and Rescue Services nationally, faces an increasing estate maintenance backlog driven by the age and condition of stations, training facilities and support buildings, many of which require ongoing investment to remain safe, compliant and operationally effective.

While recent spend has focused on essential and reactive works, emerging condition surveys and the developing estates strategy indicate rising pressure to address deferred maintenance and move towards planned lifecycle

replacement, ensuring the estate is fit for modern operational and workforce needs.

(iii) Revenue Implications of the Capital Programme

As the Service does not receive a capital allocation, the 10-year capital programmes, have associated MRP, interest, and loan costs built into the medium-term forecasts, as borrowing is required to fund them. It is expected that borrowing costs will rise over the MTRS period.

(iv) Development of the New Training Centre

The Training Centre remains a major strategic investment, replacing outdated sites with a modern facility. NWFRA continues to self fund all work to RIBA Stage 4, with future construction dependent on grant funding approval. Further information can be seen here: www.hwbawen.cymru

(v) Emergency Service Network (ESN)

2028/29 onwards, the transition to the ESN represents a significant medium-term cost pressure. The MTFP includes provision of £2.624m in 2028/29 and £1.485m in 2029/30, reflecting locally borne non-core costs associated with devices, network connectivity and dual-running arrangements. While the programme is nationally led, there remains ongoing uncertainty around the scale and duration of dual-running costs, the extent of central funding support and the final scope of locally funded requirements. The Authority continues to engage with the Joint Emergency Services Group (JESG) to seek clarity and appropriate funding arrangements.

10. Medium-Term Efficiencies and Productivity

Alongside the Emergency Cover Review (ECR) and the implementation of the collective agreement to strengthen operational response within a fixed funding envelope, NWFRA is developing a structured medium-term approach to efficiencies and productivity that reflects emerging best practice across the UK fire sector. This approach recognises the need to sustain service capacity while improving value for money over the medium term.

The Service will progress a programme of non cash releasing efficiencies, targeting productivity and efficiency gains of approximately 1-2% per annum. This will include estate optimisation, fleet modernisation, procurement efficiencies and digital transformation, improving operational effectiveness and cost efficiency without reducing frontline delivery.

In addition, cash releasing efficiencies will be pursued where appropriate. Opportunities for efficiency will be identified through analysis of NFCC national benchmarking and CIPFA / Infoshare+ annual statistics, ensuring that initiatives are evidence led and comparable with sector performance.

Planned cash releasing efficiencies for 2026/27 are estimated at £470k, equivalent to approximately 0.9%, with an expectation that overall productivity and efficiency gains will exceed 1%. Progress against these targets will be monitored quarterly through the Finance and Procurement Committee.

11. Social Value and carbon reduction

Alongside achieving best value for money, NWFRA is committed to embedding social value and supporting Welsh Government decarbonisation objectives through its financial, procurement and strategic decisions. Social value considerations are increasingly integrated into efficiency and productivity planning, recognising that carbon reduction, environmental improvement, workforce development and community benefit all contribute to long-term organisational sustainability.

Invest to save initiatives such as renewable energy schemes and energy-efficiency measures deliver both financial and environmental benefits by reducing running costs while lowering carbon emissions. Sector practice also demonstrates a growing emphasis on inhouse delivery models, local procurement and collaborative projects that support community wealth building and reduce supply chain emissions.

NWFRA will build on this approach through its capital programme, including the proposed new Training Centre, which provides a significant opportunity to embed modern, low carbon design principles, reduce whole life costs, and maximise social value through construction, skills development and local economic benefit.



12. Medium-Term Financial Plan (MTFP)

All the budget pressures, budget savings, availability of reserves, and funding assumptions outlined earlier in this Strategy are summarised below.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Base Budget	49.246	52.389	54.788	56.866	61.851
Pay Award:	3.20%	3.80%	3.20%	3.00%	2.80%
All other Staff		1.130	0.597	0.626	0.523
Retained Firefighters		0.224	0.284	0.267	0.257
Wholetime Firefighters		0.511	0.303	0.428	0.412
Growth in establishment		0.327	0.133	0.122	0.113
Payroll Inflation	0	2.192	1.316	1.444	1.306
Non-Pay Inflation	0.514	0.296	0.409	0.376	0.405
REFCUS Increase		0	0.250	0.250	0.250
Capital Finance		0.095	0.203	0.391	0.074
Emergency Service Network		0	0	2.624	1.485
Income		-0.127	0	0	0
Recurrent Cash Savings		-0.057	-0.100	-0.100	-0.100
Budget Requirement	52.389	54.788	56.866	61.851	65.270
Non-Recurrent Cash Savings		-0.413	-0.220	-0.187	-0.150
Planned use of reserves	-0.601	-0.271	-0.350	-1.500	-1.000
Net Budget Requirement	51.788	54.104	56.296	60.164	64.120
Budget Increase	7.17%	4.47%	4.05%	6.21%	6.58%

The MTFP summarises the cumulative impact of known and emerging cost pressures over the period 2026/27 to 2029/30, including pay and non-pay inflation, growth pressures, capital financing costs and the planned introduction of Emergency Services Network costs from 2028/29. These pressures are partially mitigated through planned efficiencies, income assumptions and the prudent use of reserves, smoothing the profile of budget increases over the period. Notwithstanding these mitigations, the plan demonstrates a rising net budget requirement in the later years, reflecting the increasing scale of unavoidable commitments and ongoing uncertainty around funding, particularly for nationally driven programmes.

13. Capital Financing

The Authority's capital programme supports the delivery of the CRMP by ensuring that the Service's fleet, estate, operational equipment, ICT and training infrastructure remain safe, modern and fit for purpose. Over the period 2026/27 to 2029/30, the capital programme reflects both ongoing asset replacement requirements and a significant strategic investment in the proposed new training centre, Hwb Awen.

The total indicative capital investment planned over the four-year period amounts to £81.0m, with annual expenditure peaking in 2027/28 and 2028/29 as the Hwb Awen project progresses, subject to the availability of external grant funding.

Capital programme	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Fleet	3.271	3.775	4.527	2.506	2.934
ICT	0.986	0.040	0.350	0	0.125
Operational Equipment	0.233	1.861	3.877	0.394	0.446
Training Towers	0.350	0.350	0.350	0.350	0.350
Facilities	1.263	0.635	0.550	3.950	2.575
Hwb Awen	1.333	2.265	20.564	24.748	3.453
Capital Budget Estimate	7.436	8.926	30.218	31.948	9.883
Reserves	1.379	0	0	0	0
Revenue resources	1.451	1.000	1.250	1.500	1.750
Debt	3.746	6.139	8.404	5.700	4.680
Grants	0.860	0.500	20.564	24.748	3.453
Total Financing	7.436	8.926	30.218	31.948	9.883

Financing of the Capital Programme: The Authority finances its capital programme through a combination of revenue contributions, borrowing, limited use of reserves and external grant funding, as set out in the Capital Strategy and Treasury Management Strategy.

Borrowing is required to support the delivery of the capital programme and is undertaken in line with prudential borrowing principles. All associated interest and Minimum Revenue Provision costs are reflected within the Medium-Term Financial Plan.

External grant funding is a key component of the programme, particularly for Hwb Awen, with significant grant income assumed during the main construction phase. The delivery and profiling of the capital programme will remain subject to the confirmation and timing of grant funding.



14. Reserves

The requirement for financial reserves is set out in statute. Under the Local Government Finance Act 1992, the Authority must have regard to the level of reserves required to meet estimated future expenditure when setting the budget. Reserves are cash-backed balances held on the balance sheet, can only be used once, and do not form part of the Authority's base budget.

The Section 151 Officer has a statutory duty under section 25 of the Local Government Act 2003 to advise on the adequacy of reserves and the robustness of budget estimates, taking account of the Authority's risk register and medium-term financial plans. While reserves may provide short-term flexibility, CIPFA guidance is clear that they should not be relied upon to fund recurring expenditure without a clear medium-term funding plan. The [Authority's Reserves Strategy](#) was approved by the Audit Committee in March 2024 and is reviewed on a three year cycle.

The Authority holds a General Reserve to manage unforeseen events and Earmarked Reserves for specific known or anticipated liabilities. The General Fund Reserve is forecast to be £1.932m at 1 April 2026, representing approximately 3.5% of net revenue expenditure, consistent with recognised good practice. A summary of the balances can be seen below.

Usable Reserves	Actual Balance 31-Mar-25 £'m	Indicative Balance 31-Mar-26 £'m	Indicative Balance 31-Mar-27 £'m	Indicative Balance 31-Mar-28 £'m	Indicative Balance 31-Mar-29 £'m	Indicative Balance 31-Mar-30 £'m
Service Reserves:						
Pension Reserve	1.070	1.618	1.618	1.618	1.618	1.618
Interest Reserve	0.300	0.300	0.300	0.300	0.300	0.300
Fire Hydrant Repairs	0.090	0.090	0.090	0.090	0.090	0.090
PPE Uniform / Stock	0.768	0.768	0.768	0.768	0.768	0.768
Transformational Change	0.851	0.851	0.851	0.851	0.851	-
Facilities Improvements	0.980	0.980	0.980	0.980	0.980	0.980
Legal Liability	0.310	0.310	0.310	0.310	0.310	0.310
Training	0.250	0.250	0.250	0.250	0.250	0.250
Major Incidents	0.150	0.150	0.150	0.150	0.150	0.150
System Improvements	0.711	0.711	0.513	0.163	0.163	0.163
Inflation	0.250	0.250	0.250	0.250	0.250	0.250
Firefighters Pay Structure review	0.473	0.473	0.473	0.473	0.473	0.473
Capital & Grant Reserves:						
Capital Projects	0.195	0.195	0.195	0.195	0.195	0.195
Radio Scheme	1.537	1.537	1.537	1.537	0.037	-
Grant Reduction	1.003	1.003	1.003	1.003	1.003	1.003
Total Earmarked Reserves:						
General Fund	1.871	1.932	1.932	1.932	1.932	1.820
Capital Receipts Reserve	0.073	0.073	-	-	-	-
Capital Grants Unapplied	-	-	-	-	-	-
Total Usable Reserves	10.882	11.491	11.220	10.870	9.370	8.370
Movement in Reserves Balances		0.609	-0.271	-0.350	-1.500	-1.000
Net Revenue Expenditure (NRE)	48.256	51.788	54.104	56.296	60.164	64.120
Reserve as a % of NRE	22.6%	22.2%	20.7%	19.3%	15.6%	13.1%

Over the MTRS period, usable reserves are forecast to reduce in line with planned usage, with reserves as a percentage of net revenue expenditure declining from 22.6% to 13.1%. This reflects the prudent and time-limited use of reserves to manage known pressures. The Section 151 Officer confirms that reserve levels remain adequate and will be kept under regular review, with any material changes reported to the Authority.

15. Risk Assessment

The MTRS contains the most up to date information at the time of drafting, but the Authority's financial position is dynamic. A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure all risks and uncertainties affecting the Authority's financial position are identified. The Authority faces a number of significant financial pressures that could affect the position over the medium term. An assessment of the likelihood and impact of each risk and the management controls in place are shown in Appendix 2.

The Section 151 Officer confirms that the budget estimates have been compiled on a robust and prudent basis.



16. Financial Resilience

The Authority faces a number of financial pressures over the medium term. The principal risks, together with their likelihood, impact and mitigating controls, are set out in Appendix 2. Financial resilience is underpinned by prudent medium-term financial planning, the maintenance of adequate reserves and a structured approach to identifying and managing financial risk.

The MTRS reflects known and emerging pressures and incorporates mitigations through planned efficiencies and the flexible, time-limited use of reserves. While the medium-term outlook remains challenging and subject to external uncertainty, particularly in relation to national funding, pay awards and the Emergency Services Network, the Authority is assessed as having sufficient resilience to absorb reasonable variations in assumptions without compromising statutory service delivery.

Financial resilience will continue to be reviewed annually as part of the budget-setting process and through ongoing in-year monitoring. The Section 151 Officer confirms that the budget estimates have been compiled on a robust and prudent basis.

17. Constituent Authority Levy

The primary source of funding for the Authority is the levy on the six constituent local authorities, which is calculated in proportion to mid-year population data. The levy provides the core, stable funding required to deliver statutory fire and rescue services and to resource the delivery of the CRMP. Final levy contributions are confirmed each year in line with statutory timescales and reflect the Authority's approved net budget requirement.

The MTRS sets out indicative levy assumptions over the planning period to support transparency and forward financial planning for constituent authorities. These assumptions reflect known and emerging cost pressures, including pay, pensions, inflation, estates investment and operational change, balanced against planned efficiencies, the use of reserves and anticipated grant funding. While indicative increases are modelled over the medium term, final levy decisions are taken annually by the Authority.

The Authority recognises that levy levels are sensitive to external uncertainty, particularly in relation to national pay awards, inflation, pension costs and changes in Welsh Government funding. The MTRS therefore adopts a prudent approach to levy planning, supported by sensitivity analysis, reserves and efficiency assumptions, to mitigate volatility and avoid undue pressure on constituent authorities. Where additional or late-announced funding is received, the

Authority will work constructively with local authorities to ensure that levy impacts are managed transparently and, where appropriate, on a cost-neutral basis.

18. Conclusion

The Medium-Term Resource Strategy demonstrates that the overall financial position of the Authority is sustainable over the medium term, based on current assumptions and planned mitigation measures. This position is, however, dependent on the planned use of £3.121m from reserves over the period 2026/27 to 2029/30 to manage known and emerging financial pressures while maintaining service delivery.

The MTRS provides a clear and transparent framework setting out how each year of the planning period will be financed, balancing levy income, efficiencies, grant funding and the prudent use of reserves. Usable reserves are projected to remain at a reasonable and prudent level, estimated at £11.491m as at 31 March 2026, providing resilience against financial risk and uncertainty.

The Authority will continue to keep its financial position under ongoing review, reflecting changes in funding, pay, inflation and service demand.

Appendix 1 – Interdependence with other published documents

1.	Community Risk Management Plan (CRMP) 2024–2029
2.	CRMIP
3.	Risk Management Strategy
4.	Capital Strategy 2026-27
5.	Treasury Management Strategy 2026-27
6.	Minimum Revenue Provision Statement
7.	Financial Reserves Strategy
8.	Hwb Awen Outline Business Case

Appendix 2 – Risk Assessment

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Employee costs	<ul style="list-style-type: none"> Staffing budgets based on existing service delivery models and outcomes of the Emergency Cover Review (2023). Retained Duty System (RDS) budget assumes headcount continuation, not full establishment (approx. additional £3m if fully resourced). Additional RDS recruitment capped at 15 posts (was 30 in 2024/25). Work is ongoing to improve rural availability; however, savings will not be realised as options involving cash releasing savings were not approved by the Fire Authority. The Nucleus Crewing pilot at Porthmadog and Dolgellau will be monitored during 2026/27. At the time of setting the budget for the 2026/27 financial year, the national pay awards for staff for the 2026/27 financial year had not been finalised with 3.8% used as a planning assumption for all staff. 	<ul style="list-style-type: none"> The National Joint Council (NJC) has not yet reached agreement on the firefighter pay award for 2026/27, each percentage point above the 3.8% is a financial risk of circa £0.270m. The budget planning assumes normal levels of activity. If spare conditions occur budget pressures will be experienced. The working assumption is that the General Fund would be utilised in the first instance. Recruitment challenges for RDS and high retirement levels could increase costs. Ongoing legal challenges (O'Brien/Matthews 2 remedy) are expected to generate additional costs for the Authority, which will not be covered by the pension fund.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Non-Pay	<ul style="list-style-type: none"> • Budgets formulated using zero-based approach; new expenditure over £10k requires a business case. • Inflationary pressures where known are factored into contracts and supply chain costs. • Unavoidable costs associated with industry specific health and safety matters have been included within the non-pay budget. These include costs associated with the training of operational firefighters and the management of contaminants. • One off non-pay expenditure of £271k allocated to be funded through utilisation of reserves. • Budgets have been formulated using the knowledge and professional judgement of budget managers and underlying contractual obligations but through necessity include a large degree of estimation. Where costs pressures can be quantified these have been separately identified and included. 	<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 and uncertainty. In particular, it has been noted that delays in the delivery of goods or services have impacted on the time profiles of expenditure. • Although cost inflation is generally more manageable than in recent years it is noted that some areas of concern remain. This includes increases in licences associated with software including business critical systems and insurance cost. • The cost of gas and electricity has been a known cost pressure since 2022/23 due to global cost pressures. The position appears to have stabilised and the budget for 2026/27 is predicated on best estimates at this time. However, volatility in the market continues and this is carefully managed throughout the financial year with the current contract due to expire during 2026/27.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Capital Financing	<ul style="list-style-type: none"> The capital financing requirement for 2026/267 includes the revenue charge for the minimum revenue provision for existing assets and an estimate of the interest charges arising from borrowing. These costs are influenced by historical capital expenditure, the need to borrow for the 2026/27 capital programme and the impact of interest rate increases when re-financing maturing loans. The initial planning assessment assumes that all future borrowing will be at the prevailing PWLB rate at the time of budget setting, currently estimated at 4.6%. The Authority receives independent advice and guidance on this matter from Arlingclose, a specialist advisory company. The capital plan includes potential costs associated with business cases submitted by each Head of Department. This includes some provision for initial costs associated with the Training Centre Project to enable a detailed business case and funding model to be developed up to RIBA Stage 4. 	<ul style="list-style-type: none"> The increase in interest rates in recent years is a key risk area and is exacerbated as a number of loans require refinancing during the 2026/27 financial year. Financial modelling undertaken to assess the affordability of all proposals during the budget setting process. The timing and scale of costs associated with the proposed new training centre remain subject to uncertainty, as the full business case and funding arrangements have not yet been considered by the Authority. While it is anticipated that the final business case and associated funding options will be presented for approval in 2027, there is an ongoing risk regarding the availability and timing of Welsh Government grant funding. Provision has therefore been included for costs associated with detailed planning and development work within the initial budget estimates, with future construction expenditure remaining dependent on external funding approval.
Income	<ul style="list-style-type: none"> Income budgets have been reviewed and set in line with previous years, subject to inflationary increases. Welsh Government grant assumes that remaining Welsh Government grant funding will be received at current levels. 	<ul style="list-style-type: none"> No specific risks have been identified over and above the grant income from the Welsh Government for which inflationary uplifts are not anticipated. Projected income streams (e.g., asset sales) are not guaranteed.

Report to	Audit Committee
Date	16 March 2026
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer, Finance and Resources
Contact Officer	Angharad Ellis (MIAA)
Subject	Internal Audit Plan 2026/27



PURPOSE OF REPORT

- 1 The purpose of this report is to present to Members the proposed Internal Audit Plan for the 2026/27 financial year.

EXECUTIVE SUMMARY

- 2 North Wales Fire and Rescue Authority (the Authority) is required to put arrangements in place for the audit of systems of control. This includes the management of risk and adequate and effective financial management.
- 3 The existence and operation of appropriate internal controls underpins the Authority's governance arrangements and the Authority is required to approve an annual Statement of Internal Control. In approving the Statement of Internal Control, the Authority relies on the work of internal audit and therefore, the internal audit arrangements must be sufficient to provide assurance.
- 4 The Authority's internal audit function is provided by Mersey Internal Audit Agency (MIAA). Internal audit reviews are planned and prioritised using a risk-based approach ensuring that key controls are reviewed on a three-year cycle. The proposed approach for 2026/27 is set out within Appendix 1.

RECOMMENDATIONS

- 5 It is recommended that Members:
 - i) **Approve the proposed audit work programme for 2026/27.**

BACKGROUND

- 6 The presence and operation of effective controls is critical to the overall governance arrangements and enables the Authority to discharge its responsibilities in relation to the Statement of Internal Control and the Annual Governance Statement.
- 7 The work of MIAA is governed by professional standards ensuring a systematic and robust approach.

INFORMATION

- 8 The detailed work undertaken by MIAA is planned and prioritised based on risk assessments which consider local and national risks. The detailed plan for 2026/27 is contained within Appendix 1 and confirms the proposed audit programme.

IMPLICATIONS

Wellbeing Objectives	The proper control and operation of financial and other key systems supports the delivery of the well-being objectives and longer-term sustainability of services.
Budget	Assurance on the existence and operation of internal controls supports the effective budget setting and monitoring processes and provides assurances that resources are being used effectively.
Legal	An effective internal audit arrangement is a requirement of the Accounts and Audit (Wales) 2014 Regulations
Staffing	The review of key systems provides assurance that controls are present and operating in accordance with agreed policies and procedures.
Equalities/ Human Rights/ Welsh Language	The engagement lead with MIAA is bi-lingual and reports will be subject to normal translation processes.
Risks	The work of MIAA confirms that risks are being managed and/or makes recommendations for improvement.



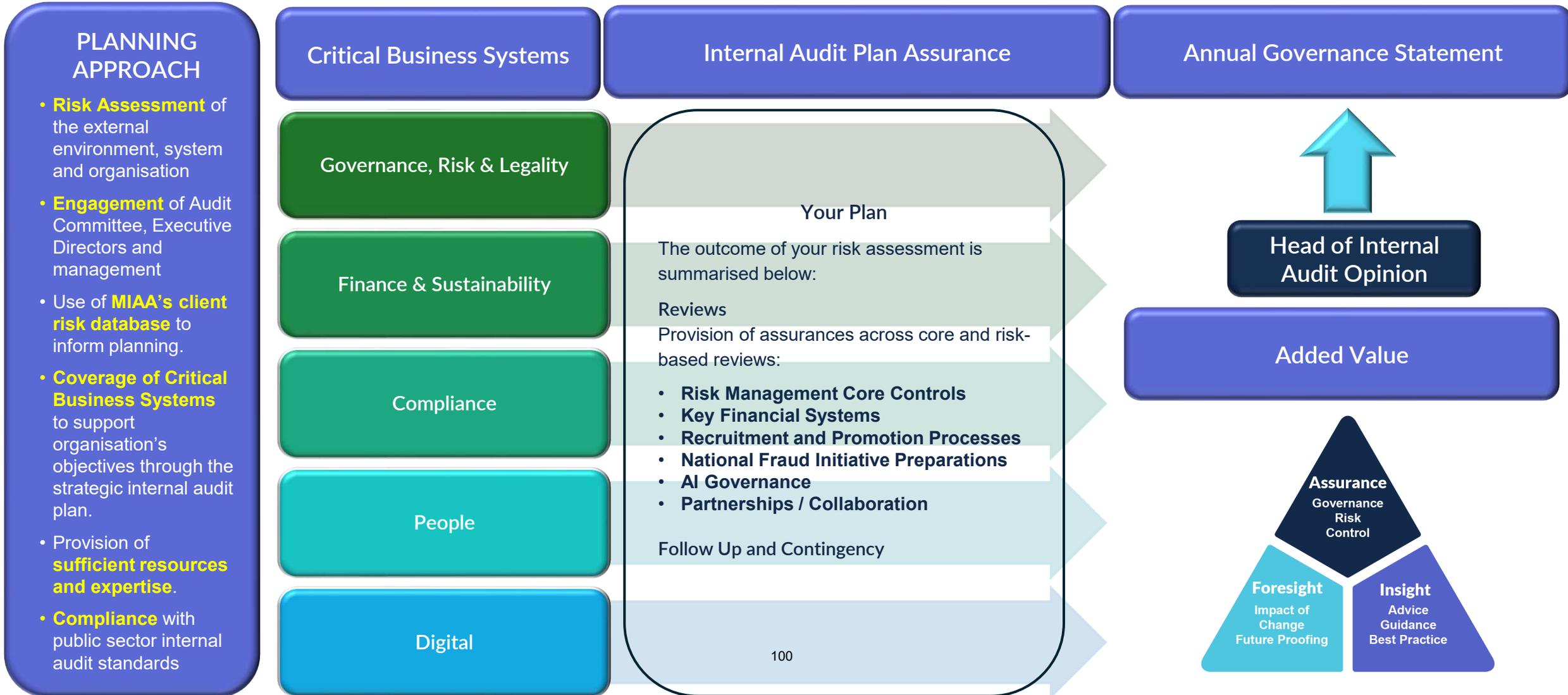
North Wales Fire and Rescue Service

Draft Internal Audit Plan *2026/27*



Internal Audit Plan on a Page

For North Wales Fire and Rescue Service, this is the planning approach we will adopt:





Executive Summary

2.1 MIAA's Strategy - Working in partnership with you

MIAA Assurance, providing cost effective assurance, insight and foresight. These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience. Our current MIAA wide strategy is summarised below:

Our Vision	MIAA will be the provider of choice of public and 3 rd sector clients, supporting them to deliver value and improve services for the benefit of the people and communities they serve.					
Our Mission	To drive value and improve outcomes through excellence and professionalism					
Our Values	 TRUST		 RESPECT & COMPASSION		 COMMITMENT TO INNOVATION & EXCELLENCE	
Our Strategic Objectives	FINANCE Ensure MIAA is sustainable and continues to grow its client base, products and service offers	QUALITY & ADDED VALUE SERVICES Ensure MIAA demonstrates added value, delivers quality and professional services for our clients	PEOPLE Continue to recruit, develop, support, retain and reward our people to maximise their potential	GOVERNANCE & ACCOUNTABILITY Ensure we demonstrate effective and appropriate governance and accountability to our stakeholders	INNOVATION Continue to lead and innovate across all our services	



2.2 Your Risk Assessment

A strong risk assessment underpins the Internal Audit Plan. This has focused upon your assurance framework as this represents **North Wales Fire and Rescue Service** own assessment of the risks to achieving its strategic objectives. These are summarised in Appendix A. We have clearly set out the risks which have been prioritised within the audit plan and those which are not.

Where available and appropriate we have considered the work of other assurance providers in developing your plan.

2.3 Your Internal Audit Plan

Your Internal Audit service includes core assurances, national and regional risk areas and strategic risks from your assurance framework. The draft plan is based on an initial risk assessment and provides indicative coverage for the organisation. The plan will remain flexible to allow for responses to emerging challenges that the organisation may face.

Your operational annual plan in Section 6 forms part of the organisation's three year Strategic Plan (shown in Appendix A). This will be reviewed as part of our ongoing risk assessment process to ensure that it remains focused on the organisation's key risks and challenges and adds value.

We will actively engage across the organisation to ensure we have a full and detailed understanding of your risks and can ensure we focus our work to best effect.

MIAA insights, including benchmarking, briefings and events will be integral to your plan.

Fees for 26/27 are yet to be confirmed but will be based on 25/26 fees uplifted in line with the NHS pay award.





Operational Internal Audit Plan 2026/27

Review & Scope	Risk / Rationale	Planned Delivery	Executive Lead
Governance, Risk & Legality			
Risk Management – Core Controls: To provide assurance that core risk management controls have established and maintained.	HOIA Opinion Requirement/ Internal audit standards	Q4	Assistant Chief Fire Officer
Partnerships and Collaboration: To evaluate the effectiveness of systems to govern and performance manage collaboration and partnership arrangements, to assure value for money.	Risk Assessment	Q1	Assistant Chief Fire Officer
Finance & Sustainability			
Key Financial Systems: Annual evaluation of the key financial controls, including General Ledger, Income, Debtors, and Budgetary Control.	Core Assurance	Q3	Assistant Chief Fire Officer
National Fraud Initiative (NFI): Preparation for the annual data matching exercise.	Mandated Requirement	Q3	Assistant Chief Fire Officer
People and Performance			
Recruitment and Promotion Processes: To provide assurance that the systems and controls in place for recruitment and managing promotions are appropriate and in line with guidance.	Management Request/Risk Assessment	Q3	Assistant Chief Fire Officer



Review & Scope	Risk / Rationale	Planned Delivery	Executive Lead
Digital			
AI Governance: A baseline assessment of the organisation's AI maturity across five domains,. This will also identify strengths, gaps, and actionable recommendations for progressing maturity.	Risk Assessment	Q3	Assistant Chief Fire Officer
Follow up & Contingency			
Follow up and Contingency	Internal audit standards requirement	Q1 - Q4	XXXX
Planning, Reporting and Added Value			
Planning, Management, Reporting & Meetings	Internal audit standards requirement	Q1 - Q4	XXXX
Added Value including Events and MIAA Insights programme			



Appendix A – 3 Year Strategic Internal Audit Plan

We have mapped your strategic objectives and strategic risks to the 3 Year Strategic Internal Audit Plan. This aligns to our overarching strategy referenced in Section 2. This will be reviewed as part of the risk assessment process to ensure that it remains focused on the organisation’s key risks and challenges and adds value.

2025/26	2026/27	2027/28
Governance, Risk and Legality		
Risk Management Core Controls	Risk Management Core Controls Partnerships/Collaboration	Risk Management Deep Dive Emergency Planning
Finance and Sustainability		
Key Financial Systems National Fraud Initiative Business Planning Attendance at Budget Scrutiny meetings	Key Financial Systems National Fraud Initiative	Key Financial Systems National Fraud Initiative
Compliance		
Equipment Asset Management		Fleet Management
People		
	Recruitment and Promotion Processes	
Digital		
Cyber Security – Follow up	Cyber Security – Follow up AI Governance	Cyber Security

Global Internal Audit Standards in the UK Public Sector

This Plan is compliant with the requirements of the Global Internal Audit Standards as they apply in the UK Public Sector which came into effect on 1st April 2025.

Limitations

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.



Report to	Audit Committee
Date	16 March 2026
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer, Finance and Resources
Contact Officer	Helen MacArthur
Subject	External Quality Assessment



PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members with awareness of the requirement for North Wales Fire and Rescue Authority's (the Authority) internal auditors to comply with the Global Internal Auditing Standards (GIAS) and the arrangements for obtaining assurance on compliance.

EXECUTIVE SUMMARY

- 2 The Authority's internal auditors, MIAA, is required to comply with Global Internal Auditing Standards (GIAS). GIAS requires an external quality assessment to be undertaken every five years.
- 3 The report contained within Appendix 1 provides confirmation of the approach adopted by MIAA to fulfil this requirement. The approach will involve an annual self-assessment with a five yearly external validation by an independent assessor. For this purpose, the Chartered Institute of Public Finance (CIPFA) will provide the external validation.
- 4 The external assurance will be undertaken during 2025/26 and reported to a future meeting of the Audit Committee.

RECOMMENDATIONS

- 5 It is recommended that Members:
 - i) **Note and endorse the approach undertaken by MIAA to fulfil its obligations under the Global Internal Auditing Standards.**

IMPLICATIONS

Wellbeing Objectives	The work of internal audit provides assurance on the control environment supporting the Authority's delivery of the well-being objectives and longer-term sustainability of services.
Budget	The external quality assurance of the work of internal audit provide assurance that expenditure is achieving its intended objectives.
Legal	An effective internal audit arrangement is a requirement of the Accounts and Audit (Wales) 2014 Regulations
Staffing	No direct impact on staffing.
Equalities / Human Rights / Welsh Language	No direct impact
Risks	The internal audit of core financial processes supports the effective identification and management of risks and the external quality assurance supports this work.

MIAA - Internal Audit Service External Quality Assessment Approach

1 Introduction and Background

From April 2025 MIAA are required to comply with the Global Internal Audit Standards (UK Public Sector) (collectively referred to as GIAS throughout this document). These documents replace the Public Sector Internal Audit Standards (PSIAS).

As required by the GIAS external assessments to confirm our compliance with standards must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

There are two approaches to EQAs allowed under GIAS:

- An external reviewer undertakes a full assessment; or
- An external reviewer validates the internal audit service's own self-assessment.

2 EQA Approach – Scope, Frequency and Rationale

MIAA undertake annual self-assessments against GIAS (and previous standards). The option that is both the most efficient and presents best value is to commission an external reviewer to validate our own self-assessment.

Our last EQA was completed in 20/21 financial year and therefore we are required to commission an EQA in 25/26 to meet the 5 year requirement outlined in GIAS.

This approach will provide assurance of the service MIAA provides and a final report will be produced for sharing with client audit committees.

3 The External Reviewer

MIAA has appointed the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake our EQA. CIPFA is one of the professional bodies who sets the internal audit standards for public bodies and provides professional guidance on the standards as well as other aspects of internal audit, assurance, governance and risk management. The CIPFA team is experienced, competent and independent of MIAA and our clients and therefore fully meets the requirements of the GIAS.

4 Principal Authorities – EQA Requirements

CIPFA are the Relevant Internal Audit Standard Setter (RIASS) for UK local government (which includes police and fire services). They have recently issued a briefing on [External quality assessments of internal audit in UK local government](#). This briefing states that: 'Where internal audit providers have more than one local government client the governance

arrangements for internal audit should be separately considered so that there can be a conclusion for each client'.

MIAA's EQA will provide assurance on the service we provide to you and therefore will not provide a conclusion on your individual internal governance arrangements for internal audit. We would advise you to liaise directly with CIPFA on this matter.

5 Audit Committee Approval

As set out under GIAS we are required to ask our **client audit committees to approve** our plan for EQA outlined in this briefing.

Appendix A – Global Internal Audit Standards (UK public sector)

Domain III: *Governing the Internal Audit Function* of the *Global Internal Audit Standards (UK public sector)* places a number of responsibilities on Boards and Senior Management regardless of the model of internal audit delivery (e.g. shared service, inhouse team etc...)

The Essential Conditions for Boards and Senior Management outlined in the standards are required to support internal audit in meeting its purpose and conforming with standards. The Relevant Internal Audit Standard Setters (RIASS) for UK local government, CIPFA have recognised that the governance structures, laws and regulations within UK local government impact how the Essential Conditions can be applied. CIPFA have produced a *Code of Practice for the Governance of Internal Audit in UK Local Government*¹ (the Code) which meets the objectives of the Essential Conditions as appropriate to UK Local Government. The Code is designed to work alongside *Global Internal Audit Standards (UK public sector)*.

Authorities should explain how they comply with the Code in their Annual Governance Statement and Audit Committee members and Senior Management should familiarise themselves with the full content of the Code.

To support you in meeting the requirements of the Code we have listed the high-level Provisions of the Code in following table outlining how you ensure going compliance:

To support you in meeting the requirements of the Code we provided a briefing to you: *25/26 MIAA Local Government Audit Committee Insight and Client Briefing – Global Internal Audit Standards (UK public sector)*, April 25 listing the high-level Provisions of the Code and outlining how you ensure going compliance:

We highlighted that the Institute of Internal Auditors (IIA) was producing further guidance on the external audit quality assessment process. The Relevant Internal Audit Standard Setters (RIASS) for the UK Public Sector who sit on UK Public Sector Internal Auditing Standards Advisory Board (IASAB) agreed to review both the External Quality Assessment guidance as it was issued to assess whether or to what extent they will be adopted by the UK public sector. The IASAB has decided to issue a statement on how EQAs can be approached in the UK public sector. This statement is yet to be finalised but we can confirm that the approach MIAA is proposing to assess our service to you aligns to the approaches outlined in the draft statement. As highlighted in section 4 of this briefing this will not provide a conclusion on your internal governance arrangements.

¹ [Governance of Internal Audit in Local Government | CIPFA](#)