

AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU



NORTH WALES FIRE AND RESCUE AUTHORITY

A meeting of the **AUDIT COMMITTEE** will be held **MONDAY 19 JUNE 2023**
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 20 March 2023

5. Matters Arising

6. Internal Audit Annual Report

7. Appointment of New Internal Audit

8. Treasury Management

9. Outturn 2022/23

10. Urgent Matters

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

PART II

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

11. 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 20 March 2023 virtually via Zoom. Meeting commenced at 09.30hrs.

Councillor

Mark Young (Deputy Chair)
Marion Bateman
Michelle Blakeley-Walker
Jeff Evans
Marc Jones
Gwynfor Owen
Arwyn Herald Roberts
Austin Roberts

Representing

Denbighshire County Council
Flintshire County Council
Denbighshire County Council
Anglesey County Council
Wrexham County Borough Council
Gwynedd Council
Gwynedd Council (09:34)
Conwy County Borough Council

Also present:

Stewart Forshaw
Helen MacArthur
Dafydd Edwards
Matt Georgiou
George Jones
Lisa Allington
Gill Murgatroyd
Keith Williams

Deputy Chief Fire Officer
Assistant Chief Fire Officer
Treasurer
Deputy Clerk and Monitoring Officer
Atebol - Translator
Executive Assistant
Standards Committee
Conwy County Borough Council

1 APOLOGIES

Councillor

Nigel Smith (Chair)
Beverley Parry-Jones
Tina Claydon
Neil Coverley

Representing

Conwy County Borough Council
Wrexham County Borough Council
Flintshire County Council
Conwy County Borough Council

ABSENT

Councillor

Bryan Apsley
Adele Davies-Cooke
John Brynmor Hughes

Representing

Wrexham County Borough Council
Flintshire County Council
Gwynedd Council

2 DECLARATIONS OF INTEREST

- 2.1 Cllr. Mark Young declared a personal interest in agenda item 9, as he was also Chair of the Denbighshire Planning Committee.

3 NOTICE OF URGENT MATTERS

3.1 There was no notice of urgent matters.

4 MINUTES OF THE MEETING HELD ON 12 DECEMBER 2022

4.1 The minutes of the meeting held on 12 December 2022 were submitted for approval.

4.2 **RESOLVED to:**

i) approve the minutes as a true and accurate record of the meetings held.

5 MATTERS ARISING

5.1 DCFO Forshaw gave a brief update on the Pay Award and the associated for potential industrial action. It was noted that Members had been regularly briefed over the last six-months on this item by the Chief Fire Officer (CFO).

5.2 A pay offer had been made by the National Joint Council on 07 February 2023 of 7% backdated to July last year, and a 5% offer effective July this year. The Fire Brigades Union balloted their members with a recommendation to accept this offer, and 96% voted to accept with a turnout of 84%.

5.3 The Service welcomes any settlement which avoids industrial action and supports its staff, and all preparations for business continuity arising from the potential of industrial action have now been stood down.

5.4 Members were asked to note that there was no additional funding linked to this pay offer and so the additional cost would have to be found from the Service's budget meaning a change in emergency cover to find an appropriate balance between the challenges we face in protecting the people of North Wales and ensuring that we have a sustainable budget going forward.

5.5 Members expressed concern that the pay offer had been agreed without the offer of funding to Fire and Rescue Services from the Government.

5.6 **RESOLVED to:**

- i) endorse the issue being raised with the Chair of the Authority by Cllr. Mark Young; and**
- ii) endorse Members advising their own Council Leaders of the issue.**

6 PROVISION OF INTERNAL AUDIT

6.1 ACFO MacArthur presented the paper on the Provision of Internal Audit, the purpose of which was to outline to Members the requirement for a sound and effective internal audit function. The report also sought endorsement for the proposal to enter into a procurement process for the internal audit contract from 01 April 2023.

6.2 The Treasurer confirmed that the Audit Department within Conwy County Borough Council, who carried out the Service's internal audit arrangements, were satisfied and that it was appropriate for procurement to take place from time to time.

6.3 **RESOLVED to:**

- i) note the requirement to maintain adequate systems of internal control and the role of internal audit in supporting the annual statement;**
- ii) endorse the approach set out in the paper for the procurement of internal audit services utilising the Crown Commercial Services Framework for Audit and Assurance; and**
- iii) delegate the appointment of the successful supplier to a panel comprising of the Chair and Deputy Chair of the Audit Committee and the Authority's Treasurer.**

7. AUDIT WALES ANNUAL AUDIT SUMMARY

7.1 ACFO MacArthur presented the Audit Wales Annual Audit Summary paper which provided members with the Annual Audit Summary 2022 produced by Audit Wales and was intended for information purposes only.

7.2 **RESOLVED to:**

- i) note the annual audit summary.**

8 BUDGET UPDATE

8.1 Dafydd Edwards, Authority Treasurer, presented the Budget Update paper which aimed to provide members with a financial update following the approval of the 2023/24 revenue budget at the North Wales Fire and Rescue Authority meeting of the 16 January 2023.

8.2 It was noted that in-depth discussions had taken place around this subject previously and challenges had been made around the inflationary increase in the budget. Members were advised that the recent pay award had now resulted in an additional budget pressure of £1m, in addition to the existing pressure of £1.4m.

- 8.3 Reserves would be used to bridge the gap for financial year 2022/23 but this would leave them severely depleted. The only options available to the Service moving forward, therefore, was to look at both increasing income via the levy to the Local Authorities and to make cost efficiencies.
- 8.4 Members were advised that the Pay Award was a National arrangement rather than a local agreement and so the Welsh Government had little influence over it.
- 8.5 It was noted that cost efficiencies via the Emergency Cover Review were now necessary to ensure that there were enough reserves moving forward to maintain financial stability.
- 8.6 One Member urged that fellow Councillors approach their local MP's to initiate talks around the provision of additional funding to cover the pay award, and it was confirmed that there were no confidentiality issues surrounding this.
- 8.7 **RESOLVED to:**
- i) note the conclusion of the pay negotiations for firefighters and the associated further cost pressures;**
 - ii) consider the short-term use of reserves to address the cost pressures arising from the firefighters' pay settlement;**
 - iii) note that the pay negotiations for all other staff remain outstanding at this time; and**
 - iv) note that the £2.4m underlying deficit will have unavoidable implications for future service delivery and increased levy for 2024/25.**

9 TRAINING CENTRE

- 9.1 DCFO Forshaw presented the Training Centre paper which presented an update on the work undertaken on the production of a detailed business case for a new fire and rescue training and development centre in North Wales.
- 9.2 It was asked whether the existing training centre in Dolgellau would need to be closed entirely, or if there would be an opportunity to keep it open in order to deliver specific aspects of training. Members were advised that the existing training centre would remain open for at least five-years as it would take this long to establish the new training centre, should approval be given.
- 9.3 The Chair advised that Cllr Rees and Cllr Cunningham form part of the working group for this item, along with a representative from each of the remaining four constituent councils. This was approved by Members.

9.4 **RESOLVED to:**

- i) **note the background to reviewing Fire and Rescue training facilities in North Wales;**
- ii) **note that the current training provision is reaching its end of life;**
- iii) **note that the next stage of the project, to confirm the suitability of the identified land, has commenced;**
- iv) **note the timescales set out in this report for the provision of a detailed business case for Members' consideration; and**
- v) **identify Members from each constituent council to form a working group to help to develop and scrutinise plans for a new training centre.**

10 URGENT MATTERS

10.1 There were no urgent matters to discuss.

Meeting closed 10:20 hrs

*Mae'r ddogfen yma ar gael yn Gymraeg***Agenda Item 6**

Report to	Audit Committee
Date	19 June 2023
Lead Officer	Head of Audit & Procurement Services
Contact Officer	Keith Williams (Audit Manager)- 01492 576217 keith.williams@conwy.gov.uk
Subject	Internal Audit Annual Report 2022/23

**PURPOSE OF REPORT**

- 1 Under the terms of the Accounts and Audit (Wales) Regulations 2014 Part 3 5. (2), the North Wales Fire and Rescue Authority (the Authority) is required annually to conduct a review of the effectiveness of its system of Internal Control. Internal Audit is an integral part of that system and is a significant contributor to the preparation of the Annual Governance Statement.
- 2 CIPFA's Public Sector Internal Audit Standards 2017 require the Head of Internal Audit to provide the Audit Committee with assurance on the whole system of internal control, including the adequacy of risk management and corporate governance arrangements.
- 3 The report analyses the work of the Internal Audit Service for 2022/23 and contains the assurance statement based on the work of Internal Audit during the year ended March 2023.

EXECUTIVE SUMMARY

- 4 The Head of Internal Audit is able to provide assurance to the Audit Committee, based on the internal audit work undertaken, together with our maintained knowledge of the organisation and its procedures, that the Authority has effective corporate governance, risk management and internal control arrangements to manage the achievement of the Authority's objectives.
- 5 There was a planned allocation of 58 days (50 days plus 8 c/f from 2021/22). The report identifies that 48 days of Internal Audit work was performed during 2022/23. As a result, it has been agreed that 10 days will be utilised in 2023/24 to undertake follow up audits of Payroll & Creditors.

- 6 The audit reviews provide a positive level of assurance upon the adequacy of the systems of internal control in place, although 20 recommendations have been made in the year to address some weaknesses. A formal follow up process is in place to ensure that the recommendations are implemented within agreed timescales.
- 7 The work of Internal Audit has not identified any weaknesses that would qualify this opinion and there are no significant issues that are relevant to the preparation of the Annual Governance Statement.
- 8 The report also provides assurance that the Internal Audit Service operates in compliance with the UK Public Sector Internal Audit Standards to enable the Authority to take assurance from this opinion.

RECOMMENDATIONS

- 9 That Members:
 - i) note the content of Head of Audit and Procurement's Annual Report and the overall 'opinion' upon the adequacy and effectiveness of the Authority's framework of governance, risk management and control.

BACKGROUND

The Role of Internal Audit

- 10 Under the terms of The Accounts and Audit (Wales) Regulations 2014, Fire Authorities have a statutory responsibility to maintain "an adequate and effective system of internal audit."
- 11 The role of Internal Audit Services is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the organisation's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
 - The Audit Committee and senior management are aware of the extent to which they can rely on the whole system; and
 - Individual managers are aware of how reliable the systems and controls for which they are responsible are.
- 12 The internal control system comprises the whole network of systems and controls established to manage the Authority, to ensure that its objectives are met. It includes financial and other controls and also arrangements for ensuring that the Authority is achieving value for money from its activities.

- 13 In accordance with the Public Sector Internal Audit Standards the Head of Audit is required to deliver an annual internal audit opinion and report that can be used by the Authority to inform its governance statement.

INFORMATION

Internal Audit Opinion 2022/23

- 14 The Head of Audit is satisfied that the internal audit work undertaken, together with our maintained knowledge of the organisation and its procedures allows a reasonable conclusion to be made, as to the adequacy and effectiveness of the Authority's risk management, control and governance processes.
- 15 It is the Head of Audit's opinion that the Authority has **adequate and effective control processes** to manage its achievement of the Authority's objectives for the 12-month period to 31 March 2023.
- 16 In giving an audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Audit Committee is a reasonable assurance based upon the work undertaken in that year, that there are no major weaknesses other than those identified.
- 17 In addition, in arriving at our opinion, we have taken into account:
- The results of all audits undertaken during the year ended 31 March 2023;
 - The results of follow-up action taken in respect of audits from previous years;
 - Whether any Critical or Major category of recommendations have not been accepted by management and the consequent risks;
 - The effects of any material changes in the Authority's objectives or activities;
 - Matters arising from previous reports to the Executive Panel or Audit Committee; and
 - The resource constraints placed upon Internal Audit that have impinged on the Service's ability to meet the full internal audit needs of the Authority.
- 18 The overall audit opinion may be used in the preparation of the Annual Governance Statement.

Summary of Work Supporting the Audit Opinion 2022/23

- 19 A schedule giving an audit opinion of the adequacy and effectiveness of internal control processes and a summary of the key messages in respect of all the audit assignments undertaken during 2022/23 is attached at **Appendix A**.
- 20 The schedule summarises the audit work, opinions and number of recommendations made in respect of each area reviewed, which form the basis of the assurance given to Audit Committee of the overall adequacy and effectiveness of the Authority's governance, risk management and internal control frameworks for 2022/23.
- 21 Where relevant, internal audit reports are categorised to give an audit opinion of the internal control environment for that particular system or establishment. The audit opinions on the assignments are categorised as follows:
- High Assurance
 - Satisfactory Assurance
 - Limited Assurance
 - No Assurance

In support of the audit opinions, the recommendations made during the year have been categorised as Critical, Major, Moderate and Minor, in accordance with the way in which the Authority assesses and measures risk.

- 22 Two audit reports and a follow up audit was completed during the year covering:
- **Payroll (Key Controls)** – A review was undertaken to provide a level of assurance to management that internal controls are operating effectively, potential risks well managed and corporate objectives are being achieved. The audit included a review of the following areas:
 - Policies and office procedures,
 - iTrent System access rights,
 - Starters & Leavers,
 - Retained pay & amendments to wholetime pay,
 - HMRC submissions,
 - Deductions from pay,
 - BACS payments,
 - Overpayments,
 - Payroll control accounts and reconciliations.

The audit made eight recommendations and provided a *Satisfactory* level of assurance.

- **Creditors (Key Controls)** - A review was undertaken to provide a level of assurance to management that internal controls are operating effectively, potential risks well managed and corporate objectives are being achieved. The audit included a review of the following areas:
 - Policies & Procedures,
 - Authorised Signatories and Declarations of Interests,
 - Ordering of works, goods and services,
 - Receipt of Goods and Services,
 - Invoice Checks, Duplicate Payments & Discrepancies,
 - BACS Payments,
 - Creditor Control Account and Bank Reconciliations,
 - Performance Indicators.

The audit made 12 recommendations and provided a *Satisfactory* level of assurance.

- 23 The outcome of each audit, and the evaluation of the adequacy of the internal control environment, is based on the number of recommendations and their risk rating. All audits undertaken during the year were assessed as providing positive levels of assurance.
- 24 To address the weaknesses identified during the audit reviews, twenty recommendations have been made. Action plans setting out the agreed response to the audit recommendations were issued with the audit reports and these have been returned from Fire and Rescue Authority management, completed with the action to be taken to ensure implementation of the recommendations. Management agreed to implement eighteen of the audit recommendations. In the Creditors audit report, two recommendations (Recs 8 and 11) were categorised as *Minor*, and management consider that compensating controls are in place.
- 25 To comply with CIPFA's Public Sector Internal Audit Standards a formal follow up process is in operation within the Section to confirm that the recommendations made in Internal Audit reports have been implemented by management within agreed timescales. A follow up audit will normally take place six months after the issue of the final report.

- 26 A schedule of the follow up audits conducted during 2022/23 is attached at **Appendix B**. It demonstrates the number of recommendations accepted and subsequently implemented by management in each area and reveals changes that impact on the original audit opinion. It is evident that there was an improvement in the levels of internal control with regards to the Emergency Fire Appliance Driving (EFAD) audit completed in 2021/22, with a revised audit opinion of *High Assurance*.
- 27 During 2022/23, 48 audit days were provided in comparison with the planned allocation of 58 days, as indicated in the annual audit plan. A summary of audit activity is attached at **Appendix C** and shows the planned allocation of audit resources in terms of allocated days over departments and services and compares actual work done for 2022/23 with the plan. It has been agreed with management that the balance of 10 days will be utilised in 2023/24 to undertake follow ups of the Payroll and Creditors audits.
- 28 In accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority. The plan was reviewed during the year and updated as necessary. The Central Stores audit was cancelled at the request of management due to the fact that the Stores Manager retired in February 2023 at the time the audit was scheduled to commence, and the work pressures that staff were under.

Compliance with Public Sector Internal Audit Standards

- 29 Internal Audit employ a risk-based approach to determining the audit needs of the Authority at the start of the year and use a risk-based methodology in planning and conducting our audit assignments. The work of Internal Audit Services has been performed in compliance with the UK Public Sector Internal Audit Standards 2017.
- 30 The Internal Audit Service has developed a Quality Assurance and Improvement Programme (QAIP), which covers all aspects of internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated.
- 31 The Public Sector Internal Audit Standards (PSIAS) introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. An assessment of the Internal Audit Service has recently been completed by the Head of Regional Audit Service (Bridgend CBC, Merthyr Tydfil CBC, Vale of Glamorgan Council and Rhondda Cynon Taf CBC). The Final Report was issued in December 2022, and it confirmed that the results of the assessment are positive and the Service 'generally conforms' with the PSIAS and Code of Ethics.

IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objective which is "To facilitate high quality, responsive and better integrated fire and rescue services so that prevention activity and emergency response can continue to be available when and where required, affordably, equitably and on the basis of risk."
Budget	Internal Audit Services is provided as part of an SLA and within budget constraints.
Legal	N/A
Staffing	N/A
Equalities/Human Rights/ Welsh Language	N/A
Risks	<p>The Statement of Assurance is submitted in compliance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. Without such assurance from the Head of Internal Audit Services, Members 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>

NORTH WALES FIRE AND RESCUE AUTHORITY
Internal Audit Services – 2022/23 Annual Summary of Key Messages & Recommendations

APPENDIX A

	Auditable Area	Key Messages & Recommendations for Improvement	Critical	Major	Moderate	Minor	Total	Audit Opinion
1	Payroll (Key Controls)	<p>A review of Payroll (Key Controls) was undertaken to provide a level of assurance to management that internal controls are operating effectively, potential risks well managed and corporate objectives are being achieved.</p> <p>The 8 recommendations made to improve the levels of internal control are as follows:</p> <ol style="list-style-type: none"> 1. An office procedures manual should be established to cover all the areas of the payroll function, providing guidance upon the expected internal control procedures. 2. A payroll checklist should be used to properly record the checks and controls performed by payroll officers, prior to the payroll run. The checklist should be signed and dated to verify that all checks undertaken. 3. <ol style="list-style-type: none"> a) Payroll officers must ensure that if errors are identified on the FIN8 forms, the form should be amended and properly certified. b) All the formula in the Retained Pay spreadsheet needs to be robustly checked to ensure that all the station totals are complete and accurate. c) Checks must be undertaken to ensure that the turnouts, attendances, and quarters recorded on the RP spreadsheet reconciles the payment data transferred to iTrent. 4. <ol style="list-style-type: none"> a) The payroll data held on the WT pay master file should be reviewed and all historical data removed. b) Payroll officers must ensure that if errors are identified on the FIN8 forms, the form should be amended and properly certified. c) The number of turnouts, attendance & quarters at each WT Station should be totalled and checks undertaken to ensure that the totals reconcile with the number of turnouts, attendances & quarters transferred to iTrent for payment. 	0	0	6	2	8	Satisfactory

		<p>5. A written procedure should be established, stipulating that claims for overtime & additional hours should only be processed by payroll, if certified by an officer at the level of watch manager or above. Checks must be undertaken to ensure that claims are properly certified by an authorised officer.</p> <p>6. An invalid code reject report should be produced by TechOne to ensure that a record is maintained of invalid codes and the amendments made.</p> <p>7. Independently of payroll, a monthly reconciliation should be undertaken of the gross pay control account and of payroll data to the general ledger. The reconciliation should be recorded and identify any variances.</p> <p>8. Holding codes must be checked on a monthly basis, to ensure that they are cleared to zero i.e. all deductions that are paid into a holding code are cleared when the payment is made to the 3rd party. Any variances need to be investigated to establish the reason, and the action taken recorded. It is considered that these reconciliations should to properly documented and certified.</p>						
2	<p>Creditors (Key Controls)</p>	<p>A review of Creditors (Key Controls) was undertaken to provide a level of assurance to management that internal controls are operating effectively, potential risks well managed and corporate objectives are being achieved.</p> <p>The 12 recommendations made to improve the levels of internal control are as follows:</p> <ol style="list-style-type: none"> 1. a) A procedures manual should be compiled to provide order requisitioners and approvers detailed guidance on the ordering of goods & services and the expected internal controls. b) A procedures manual should be compiled for finance officers, responsible for the checking and processing of invoices for payment. 2. a) Amendments to those officers authorised on TechOne to input & authorise orders should only made upon written instruction from the budget holder. b) A reconciliation should be performed on a 6 monthly basis between the Service's independent signatory list and a TechOne report of authorised officers. c) In consultation with HR & ICT, a process should be established whereby changes to the authorised signatories list is linked to the starters/leavers/contract changes process. 	0	0	7	5	12	Satisfactory

		<p>d) If officers are temporarily made an authorised signatory, then an end or review date must be provided to ensure that they do not continue to be approvers when their period of 'acting up' has finished.</p> <p>3. Arrangements should be made for all authorised signatories, who are engaged in contractual or purchasing decisions, to declare any links or personal interests that they may have with suppliers and/or contractors in accordance with Financial Regulations. Any officer declaring such an interest should not participate (or act so as to influence or appear to influence) any procurement decisions relating to the matter in which they have such an interest.</p> <p>4.</p> <p>a) A thorough 'housekeeping' exercise must be undertaken to review the high number of orders that have been 'in progress' for a protracted period. Users need to be worked with, to clear any orders, which are no longer required.</p> <p>b) A report should be run monthly showing orders raised, which have not been matched with the associated invoice; further enquiries may then be made to confirm whether the goods have been received or if the respective order requires cancellation.</p> <p>5.</p> <p>Budget holders and approvers require additional guidance on the procurement of works, goods and services to ensure compliance with CPRs. Guidance is required, particularly in the following areas:</p> <p>a) A minimum of 3 written Quotations must be sought from competitive sources.</p> <p>b) The quotes must be based on the same specification and evaluated on a like for like basis.</p> <p>c) A documented record of the quotes sought, the evaluation process and the decision to award must be recorded.</p> <p>d) Quotes & Waiver Requests must be attached to the associated AP account.</p> <p>6.</p> <p>a) Users should be reminded of the importance of promptly completing the 'Goods Receipt' to enable the invoice to be paid.</p> <p>b) If Finance Officers complete the 'Goods Receipt', an email from the responsible officer must be retained on the AP account, verifying receipt of goods or services.</p>						
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		<p>7. A report should be run monthly showing all ‘Suspended Invoices’ , which cannot be matched with the associated PO and goods received note. This would enable further enquiries to be made to confirm that the invoice is legitimate, and the works or goods have been received; payment may then be promptly made to the supplier.</p> <p>8. After every payment run a <i>duplicate payment report</i> should be produced, which matches the invoice number and amount with other transactions to show potential duplicates.</p> <p>9.</p> <p>a) Details of new companies should be checked on the Internet to ensure they exist and to ensure there is no adverse information as to scams perpetrated by the supplier or in their name.</p> <p>b) A VAT number validation report should be run after every payment run, listing all new VAT numbers. This will allow a check to be made on the HMRC’s website that it is a bona fide VAT number and provide further assurance that it is a legitimate company.</p> <p>10. Changes to bank details must always be verified with the supplier by a telephone call and speaking with a company representative. A note should be made on the account to evidence the verification check.</p> <p>11. The Service should establish a payment day and make a weekly creditor payment run.</p> <p>12. A performance indicator target should be set regarding the percentage of creditor payments made within 30 days. A report should be run every 6 months, showing the Service’s performance, which may be monitored by senior management.</p>						
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- Management agreed to implement 18 of the audit recommendations.
- Two recommendations in the Creditors (Key Controls) audit (Recs 8 & 11) were categorised as *Minor*, and management consider that compensating controls are in place.

APPENDIX B

NORTH WALES FIRE AND RESCUE AUTHORITY

Schedule of Follow up Audits 2022/23

	Description	Audit Date	Follow up Date	No. Recs	Implemented	WIP / Partially	Not Implemented	No Longer Applicable	Original Audit Opinion	Revised Audit Opinion
1	Emergency Fire Appliance Driving (EFAD)	April 2022	Jan 2023	8	4	3	0	1	SATISFACTORY	HIGH

**North Wales Fire and Rescue Authority
Summary of Internal Audit Activity 2022/23**

	Department / Service	Planned Days 2022/23	Actual Days 2022/23
1	Payroll (Key Controls)	15	18.5
2	Creditors (Key Controls)	15	19.5
3	Stores	15	0
4	Audit Follow up: <ul style="list-style-type: none"> • Emergency Fire Appliance Driving (EFAD) 	5	4
5	NWFRA Planning & Reporting (Including Annual Report & Admin)	6	6
6	Contingency Reserve	2	0
	TOTAL DAYS	58	48
	Days Allocated 2022/23		58
	Actual Days 2022/23		48
	Total Days C/F to 2022/24		10

10 Days c/f to 2023/24 to undertake follow ups of Payroll (Key Controls) & Creditors (Key Controls)

Report to	Audit Committee
Date	19 June 2023
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer (Finance and Resources)
Contact Officer	Helen MacArthur
Subject	Internal Audit Arrangements from April 2023



PURPOSE OF REPORT

- 1 The purpose of this report is to outline to Members the outcome of the procurement process for the provision of internal audit services from 1 April 2023. The report also seeks approval to appoint Mersey Internal Audit Agency as North Wales Fire and Rescue Authority's (the Authority) internal auditor for the period 1 April 2023 – 31 March 2026.

EXECUTIVE SUMMARY

- 2 The Accounts and Audit (Wales) Regulations 2014 (the Regulations) require North Wales Fire and Rescue Authority (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.
- 3 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.
- 4 The current internal audit arrangements with Conwy Borough Council concluded at the end of 2022/23. Conwy Borough Council no longer have the capacity to provide internal audit services to North Wales Fire and Rescue Service (the Service). Following approval from the Audit Committee at its meeting of the 20 March 2023, a procurement exercise has been undertaken to identify a preferred supplier.
- 5 The process was overseen by a member led panel comprising of the Chair and Deputy Chair of the Audit Committee and the Authority's Treasurer. The panel convened on the 1 June 2023 and unanimously recommended the appointment of Mersey Internal Audit agency.

RECOMMENDATIONS

- 6 It is recommended that Members:
 - i. endorse the recommendation of the panel and approve the appointment of Mersey Internal Audit Agency as the Authority's internal audit providers for the financial period 1 April 2023- 31 March 2026.

BACKGROUND

- 7 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.
- 8 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.
- 9 The current arrangement concluded on 31 March 2023 and it is necessary to make proper provision for period 1 April 2023 – March 2026.

INFORMATION

- 10 Following approval from the Audit Committee on 20 March 2023, a procurement exercise commenced for services to cover the period 1 April 2023 – March 2026 using the public sector Crown Commercial Services Framework for Audit and Assurance Services.
- 11 Suppliers on this framework not only have the requisite skills and expertise but have also demonstrated the appropriate standards in wider areas such as modern slavery and social value.
- 12 The exercise involved the development of a comprehensive service specification and financial assessment to ensure that the Authority achieves value for money.
- 13 The member panel comprising of the Chair and Deputy Chair of the Audit Committee and the Authority's Treasurer has unanimously recommended the appointment of Mersey Internal Audit Agency (MIAA). This recommendation is supported by officers following an assessment of the information provided by MIAA within the tender submission.

- 14 Mersey Internal Audit Agency was formed in 1990 as part of the NHS shared service to provide internal audit services across NHS bodies. The scope of the work has now grown to include a broad range of services from internal audit to governance and risk management to a diverse range of public sector bodies including local authorities, Fire and Rescue Services and Police Forces.
- 15 The MIAA team is well placed to deliver the services required. The MIAA submission demonstrated a commitment to its staff through the Investor in People accreditation. The bilingual engagement will provide day to day support for the contract.
- 16 The panel received a presentation on the proposed audit strategy and noted the risk-based approach adopted by MIAA, whilst also recognising the need for flexibility to adapt to evolving risks over the period of the plan.
- 17 The panel was satisfied that MIAA had the capacity and expertise to deliver their planned work within the budget allocated.

IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objective which is "To facilitate high quality, responsive and better integrated fire and rescue services so that prevention activity and emergency response can continue to be available when and where required, affordably, equitably and on the basis of risk."
Budget	Provision has been made for internal audit services within the budget setting arrangements
Legal	An effective internal audit arrangement is a requirement of the Accounts and Audit (Wales) 2014 Regulations
Staffing	N/A
Equalities/ Human Rights/ Welsh Language	N/A
Risks	<p>The Statement of Assurance is submitted in compliance with the Accounts & Audit Regulations and the Public Sector Internal Audit Standards. Without such assurance from the Members would be unaware of the adequacy & effectiveness of the corporate governance, risk management & 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>

Report to	Audit Committee	
Date	19 June 2023	
Lead Officer	Treasurer, Dafydd Edwards	
Contact Officer	Head of Finance, Helen Howard	
Subject	Treasury Management Activity and Actual Prudential Indicators for 2022/2023	

PURPOSE OF REPORT

1. To inform Members of the treasury management activity and prudential indicators for North Wales Fire and Rescue Authority (the Authority) during the 2022/23 financial year. This report is a requirement of the Prudential Code (the Code).

EXECUTIVE SUMMARY

2. The Authority's treasury management activities are regulated by professional codes, statutes and guidance. The borrowing position at 31 March 2023 was £26.5m which is within the limit approved by members. The value of short-term loans was £8.7m which is within the limit set within the strategy. No variable rate loans were held during the financial year.

RECOMMENDATION

3. Members are requested to:
 - i) note the treasury management activity; and
 - ii) approve the final prudential indicators for 2022/23.

INTRODUCTION

4. The Authority's treasury management activity is regulated by professional codes, statutes and relevant guidance. The Authority has adopted the Chartered Institute of Public Finance Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.
5. The Authority's Treasury Management Strategy for 2022/23 was approved at a meeting of 14 March 2022. The Authority has borrowed substantial sums of money and is therefore exposed to the financial risks including the revenue effect of changing interest rates. The successful identification, monitoring and control of the risk remains central to the Authority's treasury management strategy.

6. The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by the Authority covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved at a meeting on 14 March 2022.

EXTERNAL CONTEXT

Economic background

7. The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices and high inflation,
8. The Bank of England increased the official Bank Rate to 4.25% during the financial year, from 0.75% in March 2022.
9. **Credit review:** Following credit changes by the ratings agency, the Authority's treasury advisors, Arlingclose, reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. The banks/institutions used by the Authority all remained on the list.
10. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

LOCAL CONTEXT

11. The day to day decisions on borrowing are delegated to the Authority's Finance officers, who are required to ensure the most appropriate form of borrowing depending on the prevailing interest rates at the time. This includes the use of shorter-term fixed rates, which may provide lower cost opportunities in the short/medium term.
12. A cautious approach is taken to the investment of surplus funds. Cash deposits required in order to maintain working capital are made with banks or building societies. Other vehicles are only used for longer term investments.

Borrowing Activity

13. As outlined in the Treasury Management Strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being 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 and, where practicable, to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
14. The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March almost 4% higher than those at the beginning of April. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Rates have now fallen from September peaks but remain volatile and well above recent historical norms.
15. The increase in interest rates has had an impact on interest costs for this year, due to the requirement to take out new loans amounting to £10m. These were necessary to replace existing maturing loans and to fund the capital programme. The effect of the higher interest rates will continue to have an ongoing impact on the revenue budget.
16. The outstanding loan debt as at 31 March 2023 was £26.46m. Loans are taken out to finance the Authority's capital programme. A further analysis of maturity profiles is provided in Appendix A.
17. The Public Works Loans Board (PWLB) loans held as at 31 March 2023 are detailed below and amounted to £20.46m:

Organisation	Percentage Analysis	Amount £
PWLB (1 to 2 years)	31.2%	£6.39m
PWLB (3 to 5 years)	38.9%	£7.96m
PWLB (6 to 10 years)	7.9%	£1.62m
PWLB (10 and more years)	22.0%	£4.49m
Total PWLB	100%	£20.46m

18. During the year, new PWLB loans totalling £10m were taken out. The loan portfolio includes Equal Instalment of Principal loans (EIP). Overall, the loans held by the Authority increased by £2.1m compared to the previous year.

19. In addition to borrowing through the PWLB, the Authority had £6.0m in short term loans taken out with other local authorities at year end, as detailed below:

Organisation	Percentage Analysis	Amount
Tameside Metropolitan Borough Council	50.0%	£3.0m
Warwickshire County Council	50.0%	£3.0m
Total Short-Term Borrowing	100%	£6.0m

20. These loans provided a low-cost short-term option for the Authority, with interest rates averaging 1.3%, which compares favourably with the prevailing PWLB rates.

21. The position at 31 March 2023 was that 22.7% of loans were short term loans taken out with other Local Authorities, and 4% were PWLB loans that were due to mature within 12 months. The total loans maturing within 12 months as at 31 March 2023 was 26.7% compared to the indicator of 60%. This approach is consistent with the advice of the Authority's Treasury Management Advisors.

22. The Treasury Management Strategy confirms that the borrowing portfolio should have a maximum of 35% of debt in variable loans, with up to 100% of loans having fixed terms. During 2022/23 the Authority only borrowed on fixed rate terms due to prevailing interest rates and to provide certainty.

23. The total outstanding loans at the year end of £26.46m were below the approved capital financing requirement (CFR) but exceeded the forecast year-end position. On the advice of the professional advisors, the Authority took advantage of prevailing market conditions and secured loans at favourable rates to ensure that maturing debt could be repaid and investments of £4.1m were held at the year end. The net borrowing position was, therefore, £23.4m.

24. The total interest paid during the financial year was £0.465m, compared to the budget of £0.325m which reflects the significant interest rate increases during the financial year.

Investments

25. 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.

26. The Authority holds invested funds, representing income received in advance of expenditure, plus balances and reserves held. During the year 2022/23, the Authority's investment balances ranged between £0m and £4.1m, due to timing differences between income and expenditure. All investments were overnight treasury deposits.

27. The investment strategy for 2022/23 approved by the Authority on 14 March 2022 included approval of the following criteria for counterparties:

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

28. 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.
29. 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. As the Authority only holds funds for working capital purposes the default position is to utilise the Authority's deposit accounts. Where appropriate advice and guidance is sought from the Authority's professional advisors, Arlingclose.
30. The Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities.

Prudential Indicators

31. The Authority's estimated prudential indicators for 2022/23 were approved as part of the Capital Strategy at the meeting on 14 March 2022. The Authority is required by the Prudential Code to subsequently approve the actual value of those prudential indicators after the year end.
32. Appendix A provides a schedule of all the mandatory prudential indicators. The table below confirms the key limits approved by the Authority and the outturn for 2022/23:

	2022/23 Indicator	2022/23 Actual
Borrowing position	£23.895m	£26.460m
Capital Financing Requirement	£29.389m	£28.396m

33. The Capital Financing Requirement (CFR) shows the Authority's underlying need to borrow for a capital purpose. In the short term the borrowing requirement may exceed the capital financing requirement due to the effect of cash and investments. The table above shows the gross borrowing position was lower than the actual CFR for 2022/23 by £1.94m.

34. The Authorised Limit is the affordable borrowing limit required by section 3 of the Local Government Act 2003. The table below demonstrates that during 2022/23 the Authority has maintained its gross borrowing within its Authorised Limit.

35. The Operational Boundary is the expected borrowing position of the Authority during the year, and periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached.

	2022/23
Indicator - Authorised Limit	£31.389m
Indicator - Operational Boundary	£29.389m
Maximum borrowing position during the year	£26.738m
Minimum borrowing position during the year	£20.244m

COMPLIANCE

36. All treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

37. Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table above.

IMPLICATIONS

Wellbeing Objectives	<p>This report links to NWFRA's long-term well-being objectives. Ensures that the purchase of assets to support front line service delivery is prudent, affordable and sustainable. Ensures there is sufficient investment in infrastructure to enable the service to provide emergency responses and prevention work well into the future.</p>
Budget	<p>Budget is set annually for capital financing in line with the Treasury report.</p>
Legal	<p>The regulatory framework is set out in paragraph 1.</p>
Staffing	<p>None</p>
Equalities/Human Rights/Welsh Language	<p>None</p>
Risks	<p>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 and prudent treasury management activity by the Authority's Finance officers, as advised by treasury advisors, is to mitigate this risk.</p>

Appendix A

Prudential Indicators

		2022/23 Estimated Indicator £'000	2022/23 Actual £'000
1	Capital Expenditure	2,916	3,366
2	Capital Financing Requirement	29,389	28,787
3	Borrowing	23,895	26,460
4	Authorised Limit	31,389	30,787
5	Operational Boundary	29,389	28,787
6	Ratio of Financing Costs to Net Expenditure	5.7%	6.2%
7	Investments	0	4,107
8	Fixed Interest rate loans as a % of Total Borrowing	100%	100%
9	Variable rate loans as a % of Total Borrowing	0%	0%
10	Maturity Structure of Fixed Rate Borrowing		
	Under 12 months	0% - 60%	26.7%
	12 months to 2 years	0% - 45%	4.5%
	2 years to 5 years	0% - 45%	38.9%
	5 years to 10 years	0% - 75%	7.9%
	10 years and above	0% - 100%	22.0%

Report to	Audit Committee
Date	19 June 2023
Lead Officer	Assistant Chief Fire Officer (Finance & Resources)
Contact Officer	Helen Howard
Subject	Provisional Outturn 2022/23



PURPOSE OF REPORT

- 1 To present the draft revenue and capital expenditure position for 2022/23 and to confirm the timetable for the production of the annual statement of accounts.

EXECUTIVE SUMMARY

- 2 The net budget requirement was approved by the North Wales Fire and Rescue Authority (the Authority) at its meeting of 20 December 2021. This confirmed a net requirement of £39.41m to be funded by the constituent local authorities following the use of earmarked reserves and provisions. The net outturn position is an overspend of £0.40m to be met from the general fund.
- 3 The Authority approved the 2022/23 capital budget of £2.91m on 20 December 2021. This increased to £3.3m following the roll-over of schemes from 2021/22 and grant funded projects. The draft outturn position is £3.4m.

RECOMMENDATIONS

- 4 Members are asked to:
 - (i) note the draft revenue and capital outturn position for the 2022/23 financial year as detailed within the report; and
 - (ii) note the timescales for the production of the annual statement of accounts and the external audit thereof.

BACKGROUND

- 5 The Accounts and Audit (Wales) Regulations 2014 require the Authority to prepare and publish a statement of accounts on an annual basis. The timescales prescribed within the regulations require a draft statement of accounts to be issued by the 31 May with an audit deadline of the 31 July each year.

- 6 In recent years, and due to the Covid constraints which have impacted on both the production and audit of the statement of accounts, the deadlines have been relaxed. This is permissible within the regulations (regulation 10.4).
- 7 More recently, Audit Wales confirmed that it would not be able to achieve the deadline of the 31 July 2023 for the audit of the draft statement of accounts and provided an alternative deadline of the 30 November 2023. This was discussed by the Authority at its meeting of 21 April 2023, and it was confirmed that the draft statement of accounts would be prepared by 30 June 2023. Appropriate notices have been placed on the Authority's website to confirm this.
- 8 This approach is consistent with the advice of the Welsh Government following consultation with the Society of Welsh Treasurers. The Welsh Government expectation is that the draft statement of accounts for 2022/23 should be prepared no later than 31 July 2023.
- 9 The Statement of Accounts for 2022/23 are currently being progressed and the draft out-turn position for both revenue and capital expenditure have been finalised.

INFORMATION

REVENUE BUDGET

- 10 The net budget for 2022/23 of £39.412m was approved at the Authority meeting on 20 December 2021. Following further planning work, the overall net budget requirement was confirmed at the Authority meeting on the 20 June 2022 and at this time it was also noted that expenditure deferred from 2021/22 would be met from earmarked reserves. In addition, the specific risk associated with pay awards was noted as the national pay awards were outstanding.
- 11 The main expenditure headings and draft outturn positions net of provisions and reserve movements are set out below:

	Final Budget (£000)	Draft Outturn (£000)	Variance (£000)	Variance (%)
Employees	30,130	30,353	223	0.67%
Premises	2,901	2,992	91	3.1%
Transport	1,204	1,250	46	3.9%
Supplies and Services	5,080	4,956	-124	-2.4%
Third Party Payments	451	419	-32	-7.1%
Capital Finance & Charges	2,263	2,424	161	7.1%
Income	-2,617	-2,943	-326	12.4%
Draft outturn	39,412	39,452	40	0.1%

EMPLOYEE COSTS

- 12 Employee costs form a significant element of the budget and include pay, pension costs, cost of recruitment and training and employee services, such as physiotherapy and occupational health services.
- 13 Employee costs represent over 75% of net expenditure and in year costs of £30.3m represent a year on year increase of 12.6% (£26.9m for 2021/22). The year on year increase reflects recruitment completed in year with the appointment of 24 operational firefighter apprentices and a net increase of retained duty system personnel of 16. In addition, a number of essential posts were filled including the Environmental and Sustainability Manager and the Procurement and Contracts Manager. Recruitment to specialist roles in the current employment market remains challenging and work is ongoing to address known pressures.
- 14 The in-year increase in pay costs also reflects the settlement of the pay awards for staff conditioned on local government terms and conditions (green book and blue book) and firefighters (grey book). In common with the public sector these settlements were above the planning assumptions and have necessitated careful management. These costs have been partially mitigated through the use of short-term vacancies, reductions in variable pay and also through variances in non-pay budgets including additional unplanned income.

NON-PAY COSTS

- 15 The outturn position for premises is £3.0m which is an overspend of 3.1% and compares to expenditure of £2.6m in 2021/22. The in-year costs include a pressure of £0.2m associated with energy contracts following the renewal of the contract from October 2022. Although the full impact was reduced due to government support for the period to April 2023 this remains a significant challenge and has been built into future budgets.
- 16 The premises position was also improved through the receipt of £0.5m from national non-domestic rating appeals which enabled a contribution to be made towards the planned maintenance expenditure.

- 17 The year end position for transport is £1.25m which is a year on year increase of 20%. These costs include an overspend against fuel costs of £0.15m which have been mitigated through an underspend against lease vehicles and insurance excesses. The programme of vehicle replacements through the provision of leased vehicles has been delayed due to supply chain difficulties.
- 18 The supplies and services expenditure of £4.9m was lower than forecast due to delays in the receipt of orders to the value of £0.3m for essential PPE. These orders have been delayed due to supply chain issues in relation to the availability of the materials used. This matter is being addressed with the supplier to ensure that orders are prioritised. These goods were subsequently received in May.
- 19 The expenditure with third parties is £0.4m and includes the provision of services from other public sector bodies including facilities and estates management, internal audit services, legal services and pension fund administration. The in-year underspend reflects the repatriation of the financial services from Conwy CBC.

INCOME

- 20 As well as the constituent authority levy, the budget also includes expected income for fees and charges and grants.
- 21 The financial challenges experienced during 2022/23 have been mitigated through income being higher than budget. This has been achieved through the receipt of support for trainee firefighters from the apprenticeship levy, higher than expected interest receipts for cash deposits and income from the sale of assets.

Revenue Grant Funding

- 22 2022/23 grant funding allocations totals £2.38m (2021/22: £2.397m). A breakdown of grant funding, for 2022/23, is detailed below. All grants are carefully monitored throughout the financial year to identify any variances and to enable remedial action to be taken.

	Allocation £000
Arson Reduction	179
Home Safety Equipment	226
Youth & Young People Engagement	147
All Wales National Resilience	314
Firefighters Pension Contributions	1,081
Firelink Service Fees	416
Ask & Act	10
Cyber Essentials	10
Carbon Net Heat Development	2
Total Grant Funding	2,385

USE OF EARMARKED RESERVES

- 23 The aim of the authority's financial reserves is to provide funding for investment in future activities and to act as a safety net in case of short-term financial challenges arising from activity demands or unforeseen pressures.
- 24 The provisional outturn assumes that earmarked reserves will increase by £0.65m with a closing position of £6.2m. The Authority also holds a general reserve of £1.48m. The earmarked reserves have been established for anticipated expenditure which has either not proceeded in year or is planned for future years. They also provide capacity for the Authority to smooth the impact of one-off costs such as system upgrades as well as mitigate exceptional inflationary pressures.

	Balance 31 March 2021	Balance 31 March 2022	Transfers in/(out) 2022/23	Balance 31 March 2023
	£'000	£'000	£'000	£'000
Service Reserves				
Pension Reserve	85	85	460	545
Capital Financing Reserve	100	300	0	300
Fire Hydrant Repairs	90	90	0	90
PPE Uniform / Stock	250	250	0	250
Transformational Change	800	851	0	851
Facilities Improvement	490	1,323	-672	651
Legal Liability	200	225	-39	186
Training	100	250	0	250
Major Incidents	150	150	0	150
System Improvements	501	847	-137	710
Inflation	0	250	0	250
Capital & Grant Reserves				
HFSC Grant Reduction	195	195	0	195
Radio Scheme	500	750	0	750
Capital Building Projects	0	0	1043	1043
Total	3,461	5,566	655	6,221

CAPITAL PROGRAMME

- 25 The Authority has approved a capital programme of £3.321m including schemes rolled over from 2021/22 and additional expenditure funded by grant.
- 26 Ongoing supply chain issues and inflationary pressures remain and it has been necessary to review and revise the capital programme to reflect projects which can be delivered in year.
- 27 A particular area of challenge relates to the provision of replacement towers. Whilst the tenders have been awarded there have been delays due to supplier capacity and planning permission and inflationary pressures due to the cost of steel. A total of three replacement towers were scheduled for completion during 2022/23 and these have now been deferred into 2023/24.
- 28 The minor works programme has continued in year with expenditure of £0.69m. This includes work to upgrade the washing facilities at Dolgellau, female changing facilities in Rhyl, roof replacement at Caernarfon station and replacement appliance bay doors in Chirk.

29 The outturn for the capital programme is £3.366m.

Scheme	Revised Plan	Forecast	Proposed Rollover
	£'000	£'000	£'000
Fire Appliance Replacement	1,248	1,263	
Multi-Purpose Station Vans	160	-	160
National Resilience vehicles and equipment	0	132	
Electric vehicle charging points	0	120	
Workshop Equipment	20	12	
Training Tower Replacement	160	-	307
Buildings - Minor Works	391	696	158
Control server	167	125	
Operational Equipment	92	93	
Fire Appliances (b/f from 2021/22)	923	925	
Training Towers (b/f from 2021/22)	160	-	
Total Capital Plan	3,321	3,366	625

30 The Authority has a replacement programme for fire appliances which is currently 15 years. During 2022/23 a total of 13 have been brought into operational use out of a total of 54 front-line water tenders.

31 The financing of the capital plan is as follows:

Funding	Amount
	£'000
Borrowing	2,351
Grant Funding	490
Internal Resources	525
Total	3,366

CAPITAL FINANCING AND CHARGES

32 The capital financing budget sets aside revenue funding to finance capital expenditure and is made up of interest charges and a minimum revenue provision (MRP) for the use of assets.

33 The Minimum Revenue Provision (MRP) represents the minimum amount that must be charged to an authority's revenue account each year for financing of capital expenditure, which will have initially been funded by borrowing. It is part of all Authority's accounting practices and is about making sure that the Authority can pay off the debts it has from buying capital assets, such as buildings and vehicles.

- 34 Regulations require the Authority to determine each financial year an amount of MRP, which it considers to be prudent by reference to a calculated capital financing requirement (CFR). The MRP charge for 2022/23 was £1.96m.
- 35 The actual expenditure was £2.424m which is an overspend of £161k. This has arisen due to the significant interest increases experienced during the financial year. The overall impact of this has been carefully managed through the use of internal sources of funding and through following the advice from our professional advisors to secure beneficial market rates.

BORROWING

- 36 Capital expenditure is largely funded via external borrowing. Although the capital expenditure is largely funded via loans in the short term the Authority utilises surplus revenue cash.
- 37 The Authority's borrowings were £26.46m at 31 March 2023. This includes £6.0m of temporary short-term loans, from other public sector bodies and £20.46m of loans from the Public Works Loans Board. All loans are agreed on fixed rates of interest and following advice from the Authority's professional advisors, Arlingclose. The Treasury Management activity and out-turn position is reported separately.

IMPLICATIONS

Well-being Objectives	This report links to NWFRA's long-term well-being objectives. Funding for the Service benefits the communities of North Wales and ensures there is sufficient investment in infrastructure to enable the service to provide emergency responses and prevention work well in to the future.
Budget	Budget is set annually in accordance with the proposed service delivery which includes emergency response and prevention work.
Legal	It is a legal requirement that the Authority produces the Statement of Accounts in accordance with the prescribed standards.
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	Income and expenditure is closely monitored to ensure that deviations from the approved budget are properly identified and reported to Members.