

AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU



NORTH WALES FIRE AND RESCUE AUTHORITY

The AUDIT COMMITTEE meeting will be held FRIDAY 29 JULY 2022 at 9.30am via Zoom.

Yours faithfully

Gareth Owens
Clerk

AGENDA

1. Apologies

2. Election of Chair and Deputy Chair

3. Declarations of Interests

4. 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.

5. Minutes of the meeting held on 24 January 2022

6. Matters arising

**7. Broadening the Role of Firefighters in Wales –
Fire and Rescue Service capacity: thematic review**

8. Internal Audit Charter and Annual Plan 2022/23

9. Treasury Management Activity and Actual Prudential Indicators for 2021/2022

10. Urgent Matters

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

PART II

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

No items.

NORTH WALES FIRE AND RESCUE AUTHORITY AUDIT COMMITTEE

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 24 January 2022 via Zoom. Meeting commenced at 9.30am.

PRESENT

Councillors:

B Apsley (Chair)	Wrexham County Borough Council
W O Thomas	Flintshire County Council
A I Dunbar	Flintshire County Council
G Lowe	Wrexham County Borough Council
B Parry-Jones	Wrexham County Borough Council
W P Shotton	Flintshire County Council
N Smith	Conwy County Borough Council
D Wisinger	Flintshire County Council

ALSO PRESENT:

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

1 APOLOGIES:

S Lloyd-Williams	Conwy County Borough Council
G A Roberts	Gwynedd Council

2 DECLARATIONS OF INTEREST

2.1 None.

3 MINUTES OF THE MEETING HELD ON 18 OCTOBER 2021

3.1 The minutes of the meeting held on 18 October 2021 were submitted for approval.

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

4 MATTERS ARISING

4.1 There were no matters arising.

5 CAPITAL STRATEGY 2022/23 – 2024/25

5.1 Graham Williams presented to Members the Capital Strategy for the period April 2022 – March 2025 and the Prudential Indicators and Treasury Strategies. Members were reminded of the Audit Committee's remit to ensure effective scrutiny of the treasury management strategy and policies and based on its findings make recommendations to the Fire and Rescue Authority.

5.2 Graham Williams led Members through the report and explained that the Capital Strategy provided an overview of the planned future capital expenditure, capital financing and treasury management activity necessary to achieve the objectives of the Authority. In addition, it provided assurances on how associated risk is managed and the implications for future financial sustainability. The Strategy had been developed following the approval of the revenue and capital budgets for 2022/23, which confirmed a net revenue budget of £39.41m with a further £2.916m approved for capital expenditure.

5.3 Having received reassurance on various aspects of the report, Members **RESOLVED to**

(i) note the overall Capital Strategy; and

(ii) recommend the prudential indicators and treasury strategies to the Fire and Rescue Authority for approval at its March meeting.

6 UPDATE FROM THE INTERNAL AUDIT DEPARTMENT

6.1 Keith V Williams from the Internal Audit Department informed Members that due to a new financial system being introduced within NWFRS in April 2022, it was considered prudent that the internal audit plan for 2022/23 be presented to the July meeting of the Audit Committee once the system has been implemented fully. The internal audit work will be undertaken in the latter part of the financial year.

6.2 The 2021/22 internal audit annual report would normally be submitted to the July Audit Committee meeting. However, in order not to have the annual report for the last financial year and the plan for the current financial year on the same agenda, the internal audit annual report for 2021/22 will be presented to the June FRA meeting.

6.3 **RESOLVED to note the update.**

7 ANNUAL AUDIT SUMMARY 2021

7.1 Nick Selwyn presented to Members the Audit Wales' Audit Summary for North Wales Fire and Rescue Authority.

7.2 The Summary confirmed that work had been completed during 2020-21 to satisfy the Auditor General's statutory duties including audit of accounts, continuous improvement, value for money and ensuring compliance with the sustainable development principle. The Authority's financial statements which are audited on an annual basis had received an unqualified true and fair opinion on 22 October 2021, in advance of the statutory deadline.

7.3 The Summary detailed other work that had been taken by Audit Wales during 2021-22, including a review of corporate resilience within the Authority to provide assurance on how well it addressed the financial and capacity challenges it faced. The report had been published in September 2021 and had been discussed at the Executive Panel and the full Authority meetings. ACFO MacArthur explained that corporate resilience featured significantly in the annual governance statement and the actions taken will be reported to the Authority in the Summer.

7.4 **RESOLVED to note the information provided.**

8 FINANCIAL REGULATIONS

8.1 ACFO MacArthur presented the Financial Regulations for consideration by Members of the Audit Committee.

8.2 Members were reminded that the Financial Regulations are contained within the Authority's Constitution and provide the governance framework for financial matters. The Regulations had been reviewed and revised to ensure that the Authority complied with the CIPFA Financial Management Code.

8.3 It was noted that the overall purpose of the Regulations was to provide sound arrangements for internal financial management, accounting and control. Operation of these Regulations promotes value for money and compliance with the Authority's legal and financial obligations.

8.4 **RESOLVED to**

(i) note the proposed Financial Regulations; and

(ii) recommend the Regulations to the Fire and Rescue Authority for approval at its March meeting.

Report to	Audit Committee
Date	29 July 2022
Lead Officer	Dawn Docx, Chief Fire Officer
Contact Officer	01745 535254
Subject	Broadening the role of the Firefighter in Wales - Fire and Rescue Service capacity – Thematic Review



PURPOSE OF REPORT

- 1 This report provides an overview of the Thematic Review of the Fire and Rescue Services' capacity to assume a broader role for firefighters in Wales. This was produced by the Chief Fire and Rescue Advisor to Welsh Government, Dan Stephens, and published on 5 December 2021.
- 2 It also sets out some of the considerations for North Wales Fire and Rescue Authority as a result of the publication of this review and the letters received from the Deputy Minister for Social Partnership, Hannah Blythyn.
- 3 This paper requests Members' approval to respond to the Deputy Minister's letter and seeks their views.

EXECUTIVE SUMMARY

- 4 In March 2021, the Deputy Minister for Social Partnership and the then Minister for Health and Social Services, informed the Senedd of plans to develop a broader role for firefighters in Wales, in support of the NHS in Wales.
- 5 Following that statement the Chief Fire and Rescue Advisor and Inspector for Wales decided to undertake a thematic review to provide assurance that the three Welsh FRSs had the capacity to carry out any additional work arising from broadening of the firefighters' role without detriment to core services. The [completed review](#) was accepted by the Deputy Minister and published in December 2021.
- 6 In the following six months there has been on-going dialogue between the Chief Fire Officers in Wales and Welsh Government Officials. On 8 July 2022 the Deputy Minister wrote to the Chairs of the Fire and Rescue Authorities in Wales to ask for written confirmation, by 31 August 2022, as to whether they accept the review's findings and how they intend to progress the recommendations (see appendix 1).

RECOMMENDATION

- 7 Members are asked to note:
- (i) the publication of "Broadening of the role of firefighters in Wales. 2021 Thematic Review report by the Chief Fire and Rescue Advisor and Inspector for Wales"
 - (ii) the subsequent correspondence from the Deputy Minister to the Chair of North Wales Fire and Rescue Authority and authorise that a response should be written from the Chair, in consultation with the Chief Fire Officer, reflecting Members' views and sent to the Deputy Minister by 31 August 2022.

BACKGROUND

- 8 In November 2020, The Welsh Government Cabinet approved a proposal to pursue a broader role for the Welsh fire and rescue services (FRSs) in support of the National Health Service (NHS) in Wales.
- 9 A Broadening of the Role working group was convened involving representatives from the fire and rescue services, Welsh Ambulance Services Trust (WAST), Health Boards (HBs) and Welsh Government (WG) officials. North Wales Fire and Rescue Service was represented by ACFO Richard Fairhead. Discussions within the working group agreed that there was clear potential for firefighters in Wales to respond to certain medical emergencies, to people who had fallen but were uninjured and to help prevent falls in the home.
- 10 In March 2021, the Deputy Minister for Social Partnership and the then Minister for Health and Social Services informed the Senedd of plans to develop a broader role for firefighters in Wales, in support of the NHS in Wales.
- 11 To provide assurance that the three Welsh FRSs have the capacity to carry out any additional work arising from broadening of the firefighter role without detriment to core services, the Chief Fire and Rescue Advisor and Inspector for Wales undertook a thematic review which was accepted by the Deputy Minister and published in December 2021.
- 12 At the same time the Deputy Minister wrote to the then Chair of North Wales Fire and Rescue Authority, Cllr Peter Lewis, commending the report and asking him to "consider the recommendations seriously and take all appropriate action in light of them". In this letter she also confirmed that "any changes to working practices should also be agreed with workforce representatives, in a clear spirit of social partnership."

- 13 The review made four recommendations. Two were linked to reviewing existing shift systems, one to analysing station work routines and another to consider increasing the functionality of mobilising systems.
- 14 The shift systems in scope for review are those worked by the employees on the three 24-hour shift stations at Rhyl, Wrexham and Deeside and in the Control function. They currently work a shift pattern of two day shifts of 9 hours, followed by two night shifts of 15 hours and then four days off duty. This shift system is based on the traditional shift pattern which is part of a firefighter's terms and conditions, known as the Grey book.

INFORMATION

- 15 The Chief Fire Officers meet regularly with WG officials. The Chief Fire Officers also have monthly separate one to one meetings with the Chief Fire and Rescue Advisor. There has also been the opportunity for the Chair and the Chief Fire Officer to discuss the recommendations of the thematic review with the Deputy Minister and the Chief Fire and Rescue Advisor, when they met at Wrexham station on 31 March 2022. The length of the night shifts was discussed and to what extent fatigue posed a health and safety risk given the ability for firefighters to take rest between midnight and 07:00hrs. The conversation also covered the other risks faced by NWFRA as identified by the Chief Fire Officer in her situational assessment.
- 16 From these conversations it would appear that although the recommendation to review and amend shift patterns initially had come from a need to increase capacity, if Welsh Government was to negotiate around broadening the role of firefighters in Wales. This now appears to be secondary to the concern around fatigue under the current working practices.
- 17 On 8 July 2022, the Chair of North Wales Fire and Rescue Authority, Dylan Rees, received a letter from the Deputy Minister urging him to act upon the recommendations in the thematic review. Although it does not specifically mention altering the length of shifts.
- 18 North Wales Fire and Rescue Authority is committed to the safety of all its employees and to the public of North Wales. In September 2021 it endorsed a course of action to address those concerns that were highlighted in the Chief Fire Officer's situational assessment. It has approved funding for a restructure, reviews and work to improve those risk critical areas of fire cover availability, training and corporate capacity.

- 19 Work is currently underway to procure specialist expertise to undertake an independent review into future emergency response requirements for North Wales. This will include modelling to evaluate the benefits of changes in shift systems. It will also address the Audit Wales recommendation that “the Authority should review station locations to identify opportunities to optimise emergency response arrangements.”
- 20 In the meantime, it is recommended that the Chair, in consultation with the Chief Fire Officer, writes in response to the Deputy Minister for Social Partnership letter to assure her of the Authority's commitment to safety and plans for working together towards change for the benefit of the people of North Wales.

IMPLICATIONS

Wellbeing Objectives	This report links to NWFRA's long-term well-being objectives and demonstrates the Service's commitment to providing emergency responses and prevention work well in to the future.
Budget	Not applicable
Legal	Not applicable
Staffing	Potential change to working conditions for those employees on 24-hour shift stations and Control
Equalities/Human Rights/Welsh Language	Not applicable at present.
Risks	Potential poor industrial relations balanced against a perceived health and safety risk of the current working practices.

Hannah Blythyn AS/MS
Y Dirprwy Weinidog Partneriaeth Gymdeithasol
Deputy Minister for Social Partnership



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA HB 1921 22

Cllr Dylan Rees
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8 July 2022

Dear Cllr Rees,

Firstly I would like to offer my congratulations to you on your appointment to the Chair of North Wales FRA. I look forward to working with you in your new role across a whole range of fire and rescue issues. There is, however, one matter that I need to raise with you now.

Last December, our Chief Fire and Rescue Advisor (CFRA), Dan Stephens, published a thematic review of the scope that the Service had to undertake a broader role. He concluded that such scope existed, but that changes to working practices were necessary to realise it. Indeed, he concluded that such changes were needed in any event, in the interests of firefighter and public safety. I wrote to the previous Chair on 3 December commending the report and asking the FRA you to give it prompt and serious consideration.

This and other reports the CFRA produces contain thoroughly-developed and well-evidenced findings. The report needs to be considered carefully and implemented accordingly, unless there are clear and compelling reasons not to do so.

That is all the more so in cases like this, which raise genuine and serious safety concerns. The CFRA's report identified a significant risk of not enough training and/or fatigue under current working practices. Those concerns may be amplified in his current and more in-depth review of training provision. This should not be acceptable in any safety-critical profession, particularly one where the safety of the public is also at stake.

It is therefore concerning that progress in considering, and acting on the report's recommendations across Wales in the six months since publication has been slow. I know that some of the changes which might prove necessary may be challenging; but safety is and must always be an overriding concern.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

In our previous meetings I have made clear the commitment to work together towards change but, at the same time that we have come to a point where we really need to achieve change. I am sure you will understand that when presented with the evidence that the CFRA has identified and the potential risks to both firefighter and public safety, then the Welsh Government has a duty to respond and act upon this.

I would ask to see confirmation in writing that you accept the report's findings as soon as possible, and a proposal for moving forward by 31 August. If, you believe that is not possible or necessary, then again, I would expect full details of that in writing. I and my officials would be very happy to support you in making the necessary changes in any way that we can, and I know that CFO Dawn Docx has already discussed with them the form that such support might take.

I am copying this letter to CFO Dawn Docx and writing in identical terms to Councillor Steve Bradwick and Councillor Elwyn Williams.

Yours sincerely



Hannah Blythyn AS/MS
Y Dirprwy Weinidog Partneriaeth Gymdeithasol
Deputy Minister for Social Partnership

Report to	Audit Committee
Date	29 July 2022
Lead Officer	Mike Halstead, Head of Audit and Procurement Services
Contact Officer	Keith V Williams, Audit, Conwy CBC
Subject	Internal Audit Charter and Annual Plan 2022/23



PURPOSE OF REPORT

- 1 The Internal Audit Charter and Annual Plan 2022/23 is submitted to the Audit Committee for consideration and approval, in compliance with the Public Sector Internal Audit Standards 2017.

EXECUTIVE SUMMARY

- 2 The overall strategy of Internal Audit is to deliver a risk based audit plan in a professional, independent manner, in compliance with the Public Sector Internal Audit Standards. The Charter identifies how the Internal Audit Service will assist the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Charter and Annual Plan is submitted for approval on an annual basis.

RECOMMENDATIONS

- 3 Members are asked to consider and approve the Internal Audit Charter and Annual Plan 2022/23.

BACKGROUND

- 4 The requirement for an Internal Audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit Regulations (Wales) 2014 places a statutory obligation on the Authority to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control".
- 5 The Internal Audit Service's terms of reference are documented in the Service Level Agreement for the provision of audit services with Conwy County Borough Council for the period to 31st March 2023.

INFORMATION

CHARTER STATEMENT

- 6 The overall strategy of Internal Audit is to deliver a risk based audit plan in a professional, independent manner, in compliance with the Public Sector Internal Audit Standards 2017. Internal Audit provides the organisation with objective assurance and undertakes consulting activities designed to add value and improve the Authority's operations. The Internal Audit Service will assist the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

DEFINITION AND OBJECTIVE

- 7 In compliance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to develop and maintain an Internal Audit Charter for delivering the Internal Audit service. Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The control environment includes all authority operations, resources, services, and its responsibilities to other bodies.
- 8 The Accounts and Audit Regulations require the NWFRA to produce an Annual Governance Statement each year. The Head of Audit provides an annual report to those charged with governance to support the production of the Annual Governance Statement. This formal report includes an opinion on the overall adequacy and effectiveness of the risk management systems and the internal control environment; disclosure of any qualifications to that opinion together with reasons; a summary of the of the audit work upon which the opinion is based; the extent to which reliance upon the work of other assurance bodies has been placed; and any issues considered relevant to the preparation of the Annual Governance Statement.
- 9 Internal Audit operates in a consultancy role in advising managers in relation to issues within its remit, such as the implementation of appropriate controls in terms of new projects, developments and systems. The exact allocation of resources in respect of consultancy work is determined in the audit plan. Separate time allocations are allowed for consultancy activities, fraud related work and follow up audits.

STATUS

- 10 Internal Audit is responsible to the Treasurer for line management purposes, and helps to discharge the statutory functions of the Chief Finance Officer as defined in Section 151 of the Local Government Act 1972. However Internal Audit is independent in its planning and operation.
- 11 The Head of Audit Services has direct access to the Chief Fire Officer, all levels of management and elected members. Internal Auditors have the authority to:
- Enter at all reasonable times any authority establishment.
 - Have access to all records, documents, information and correspondence relating to any financial and other transaction as considered necessary, for the purposes of audit review and/or investigations.
 - Evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud.
 - Request explanations as considered necessary to satisfy themselves as to the correctness of any matter under examination.
 - Require any employee of the NWFRA to produce cash, materials or any other property belonging to the authority in their possession or under their control.
 - Access records belonging to third parties, such as contractors or partners, when required and appropriate.

DELIVERY OF THE AUDIT SERVICE

- 12 The Head of Audit Services is responsible for delivering the audit service in accordance with the Service Level Agreement. To ensure that this can be achieved, there are appropriate arrangements for:
- Determining and planning the work to be carried out based upon a Needs Assessment and a risk based planning process, an annual operational audit plan and monthly work plans. All plans are based on an assessment of risk.
 - Providing the resources required to deliver the audit plan, the necessary skills (both in general audit and technical areas) and support facilities, such as IT facilities, equipment and management and administration processes.

INTERNAL AUDIT PLAN 2022/23

- 13 The Draft Annual Plan for 2022/23 is attached at **Appendix A**. The purpose of the annual audit plan is to:-
- Establish audit priorities in conjunction with Fire and Rescue Authority Management based upon a risk based approach of determining the audit needs of the Authority at the start of each year.
 - Determine the resources needed to carry out the required audit duties.
 - Review and follow up the audit work of the previous year.
- 14 The audit plan is designed to act as a guide only. Changes in circumstances or other emerging risks may result in deviations from the plan. The plan for 2022/23 has been prepared following consultation with Fire and Rescue Authority Management. The plan also includes time to follow up recommendations from previous audits.
- 15 The Internal Audit service will be delivered on the basis of a Needs Assessment, a risk based approach to determining the needs of the Authority at the start of each year and detailed operational plans which will be presented to the Audit Committee on an annual basis for approval. The assessment sets out the number of days required for Internal Audit to adequately review the areas involved, and a risk assessment level for each planned audit assignment. The over-riding objective of this approach is to ensure that Internal Audit is able to present an opinion on the control environment by directing adequate resources based on the relative risks of the operations, resources and services involved, using a formal risk assessment process. The risk assessment process takes account of a range of strategic, corporate, service and operational risks, including those identified through the Risk Management process and by the external auditor and the views of senior management on these issues. Where resources available are not considered by the Head of Audit Services to be adequate for such an opinion to be provided, this will be reported to the organisation through the Audit Committee.
- 16 The Plan balances the following requirements:
- the need to ensure the Audit Plan is completed to the target levels established by the section's performance indicators;
 - the need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control on which External Audit will place reliance;
 - the need to appropriately review other strategic and operational arrangements;

- the need to have uncommitted time available to deal with unplanned issues which may need to be reviewed or investigated;
 - the relative allocation of resources between assurance, fraud related and consultancy services provided by internal audit.
- 17 Progress against the operational plan and the content of the plan, will be kept under review by the Head of Audit Services in liaison with the Treasurer and through monitoring corporate and service developments. The Audit Committee will be advised of performance against the operational plan.
- 18 Internal Audit will comply with the Public Sector Internal Audit Standards (PSIAS). The Head of Audit Services will ensure that there is an up to date Audit Manual in place setting out expected standards for the service and will monitor compliance with these standards, including in relation to the planning, conduct and reporting of audit assignments.
- 19 An external assessment of Internal Audit's conformance against the PSIAS was undertaken on 31st October 2016 by Wrexham County Borough Council. The external assessors' overall opinion was that the Internal Audit Service generally conforms with the PSIAS and Code of Ethics in all significant areas and that it operates independently and objectively. The next external assessment is scheduled for June 2022.
- 20 Conwy County Borough Council has established a Performance and Development Review Policy, which identifies the training, and development needs of its employees. The Internal Audit Section relies heavily upon the effectiveness of its staff to deliver high quality services. The aim of the PDR process is to reinforce and strengthen the relationship between individual performances, expectations of management, and organisational goals. In addition, the PSIAS (1230) requires the Head of Audit and Procurement Services to ensure that the Internal Audit Section has access to the full range of knowledge, skills, qualifications and experience to meet the Section's objectives and standards.
- 21 Internal Audit will aim to co-operate effectively with the external auditor and ensure that appropriate reliance can be placed on Internal Audit's activities.
- 22 The reporting approach for Internal Audit is set out in the approved Service Level Agreement and Internal Audit will comply with this approach as the most efficient method of delivering the outcomes of its work.

- 23 In the delivery of each assignment Internal Audit will look to make practical recommendations based on the findings of the work and discuss these with management, such that management commit to an appropriate action plan for implementing any necessary improvements to the control environment.

IMPLICATIONS

Wellbeing Objectives	Taken into consideration and incorporated within the Charter.
Budget	No additional cost pressures; budget set for 2022/23 includes payment to Conwy CBC for Internal Audit Services.
Legal	Compliance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations (Wales) 2014.
Staffing	No implications; Internal Audit Charter and Plan implemented by Conwy Internal Audit staff.
Equalities/Human Rights/ Welsh Language	Conwy Internal Audit Services operates in accordance with legislation.
Risks	Failure to produce a Charter and appropriately plan the work of the Internal Audit Service would result in an undisciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes and negatively impact on improvement of the Authority's operations. This would weaken the governance framework and could lead to the Authority receiving an adverse opinion on its arrangements for an effective Internal Audit Service, as required under relevant legislation.

**North Wales Fire and Rescue Authority
Draft Internal Audit Annual Plan 2022/23**

APPENDIX A

Ref	Audit Review	Comments	Days	Planned Timing
Risk Area – Financial and Fraud Risks				
17	Payroll – Payments and Reconciliations	The objectives are to appraise the adequacy of the payroll procedures in respect of salary payments and reconciliations with a view to identifying any internal control weaknesses and areas of potential risk within the system.	15	Sept 22
24	Central Stores	A review of the Central Stores procedures in respect of purchasing, receipts, issues, stocks, adjustments and security.	15	Nov 22
27	Creditors	The ordering and payment for Works, Goods and Services to ensure appropriate levels of internal control.	15	Jan 23
Other Audit Work				
-	Audit Planning, Annual Report and Management	Provision for time required for management element of contract.	6	Ongoing
-	Follow up of Previous Recommendations	Following up recommendations made in 2021/22 – <ul style="list-style-type: none"> Emergency Fire Appliance Driving (EFAD) 	5	Ongoing
-	Contingency Reserve	For unplanned work identified during the year and liaison/advice as required.	2	
Total Days Required for Audit Work			58	
Total Days Allocated 2022/23			50	
Totals Days b/f from 2021/22			8	
Total Days Available 2021/22			58	

Report to	Audit Committee
Date	29 July 2022
Lead Officer	Helen MacArthur, Chief Fire Officer
Contact Officer	01745 535286
Subject	Treasury Management Activity and Actual Prudential Indicators for 2021/2022



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 2021/22 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 2022 was £24.4m which is within the limit approved by members. The value of short term loans was £13.6m 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 2021/22.

BACKGROUND

- 4 The Authority's treasury management activity is regulated by professional codes, statutes and relevant guidance. The key requirements include the production of a Treasury Management Strategy and prudential indicators to demonstrate affordability of capital and borrowing decisions. These documents must be approved by the Authority prior to the commencement of the financial year. Arrangements should also be in place to monitor and report the prudential indicators during the financial year and report the outturn position to the Authority.

- 5 The Treasury Management Strategy for 2021/22 was approved by the Authority at its meeting of 15 March 2021. The prudential indicators were revised in year due to the re-profiling of the capital programme which resulted in reduced in year borrowing. These revisions were approved by the Audit Committee at its meeting of the 18th October 2021. This is the final report for 2021/22 which sets out the actual prudential indicators for the year and the Treasury Management position. The report is in line with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code.

Information

TREASURY MANAGEMENT ACTIVITY 2021/2022

Summary of the Strategy Agreed for 2021/2022

- 6 The day to day decisions on borrowing are delegated to the Treasurer, who is 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.
- 7 A cautious approach is taken to the investment of surplus funds. Cash deposits required to maintain working capital are with banks or building societies. Other vehicles are only used for longer term investments.

Borrowing Activity

- 8 The outstanding loan debt as at 31 March 2022 was £24.4m. Loans are taken out to finance the Authority's capital programme. A further analysis of maturity profiles is provided in Appendix A.
- 9 The Public Works Loans Board loans held as at 31 March 2022 are detailed below and amounted to £15.4m:

Organisation	Percentage Analysis	Amount (£)
PWLB (1 to 2 years)	39.3%	6.07m
PWLB (3 to 5 years)	44.2%	6.82m
PWLB (6 to 10 years)	1.5%	0.23m
PWLB (10 and more years)	15.0%	2.32m
Total PWLB	100%	15.43m

- 10 During the year, new PWLB loans totalling £6m were taken out. The loan portfolio includes EIP loans (Equal Instalment of Principal). Overall the loans held by the Authority fell by £1.68m compared to the previous year.
- 11 The Authority had £9.0m in short term loans taken out with other local authorities at year end, as detailed below:

Organisation	Percentage Analysis	Amount (£)
Northern Ireland Housing	33.3%	3.0m
Warwickshire County Council	33.3%	3.0m
Conwy County Borough Council	33.3%	3.0m
Total Short Term Borrowing	100%	9.0m

- 12 These loans provided a low cost option for the Authority with interest rates averaging 0.113% which compares favourably with the PWLB rates which average 2.088%.
- 13 The position at 31 March 2022 was that 36.8% of loans were short term loans taken out with other Local Authorities and 19.1% were PWLB loans that were due to mature within 12 months. The total loans maturing within 12 months as at 31 March 2022 was 55.9% compared to the indicator of 60%.
- 14 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 2021/22 the Authority only borrowed on fixed rate terms due to prevailing interest rates and to allow certainty.
- 15 The actual borrowing for 2021/22 was £3.96m below the approved capital financing requirement (CFR). Total interest of £0.305m was paid compared to the budget of £0.449m.

Investments

16 The principles governing the Authority's investment policy are contained in the National Assembly for Wales Guidance in 2003. The investment activity during the year conformed to these principles and the Authority had no liquidity difficulties.

17 The investment strategy for 2021/22 approved by the Authority on 15 March 2021 included approval of the following criteria for counterparties:

(1) Debt Management Office of the Treasury: limit £5.0m

(2) Local Authorities (except rate-capped): limit £2.0m

(3) All UK and Irish banks and their subsidiaries that have good ratings (Fitch or equivalent). – limit: £5m

Building Societies with a rating (as for the banking sector) all have a lending: limit £2.0m.

Building societies without a rating but with assets of £1 billion or more: limit of £2m with a maximum time limit of 9 months.

18 The balance of investments as at 31 March 2022 was £0m compared to £1.49m as at 31 March 2021. The authority made the decision to minimise the investments in order to reduce borrowing when possible.

Prudential Indicators

19 The Authority is required by the Prudential Code to approve the actual prudential indicators after the year end. 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 2021/22:

	2021/2022 Revised Indicator £'000	2021/2022 Actual £'000
Borrowing position	24,000	24,434
Capital Financing Requirement	28,727	28,396

- 20 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 CFR for 2021/22 by £3.96m.
- 21 The Authorised Limit is the affordable borrowing limit required by section 3 of the Local Government Act 2003. The table below demonstrates that during 2021/22 the Authority has maintained its gross borrowing within its Authorised Limit.
- 22 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.

	2021/22 £'000
Revised Indicator - Authorised Limit	30,727
Revised Indicator - Operational Boundary	28,727
Maximum borrowing position during the year	27,694
Minimum borrowing position during the year	22,711

REGULATORY FRAMEWORK, RISK AND PERFORMANCE

- 23 The Authority's treasury management activities are regulated by professional codes, statutes and guidance:
- 24 The Local Government Act 2003 (the Act), provides the powers to borrow and invest as well as providing controls and limits on this activity. The Act permits the National Assembly for Wales to set limits either on the Authority or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2021//22). Under the Act the National Assembly for Wales has issued Investment Guidance to structure and regulate the Authority's investment activities.

- 25 Statutory Instrument (SI) 3239 (W319) 2003, as amended, develops the controls and powers within the Act. This requires the Authority to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities and requires the Authority to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services; The Authority has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

IMPLICATIONS

Wellbeing Objectives	This report links to NWFRA's long-term well-being objectives. Ensures that the purchase of assets to support front line service delivery is prudent, affordable and sustainable. Ensures there is sufficient investment in infrastructure to enable the Service to provide emergency responses and prevention work well in to the future.
Budget	Budget is set annually for capital financing in line with the Treasury report.
Legal	The regulatory framework is set out in paragraph 18.
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.

Prudential Indicators

		2021/22 Estimated Indicator £'000	2021/22 Actual £'000
1	Capital Expenditure	1,343	1,176
2	Capital Financing Requirement	28,727	28,396
3	Borrowing	24,000	24,434
4	Authorised Limit	30,727	30,727
5	Operational Boundary	28,727	28,727
6	Ratio of Financing Costs to Net Expenditure	6.3%	6.2%
7	Investments	3,510	0
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%	55.9%
	12 months to 2 years	0% - 45%	5.7%
	2 years to 5 years	0% - 45%	27.9%
	5 years to 10 years	0% - 75%	0.9%
	10 years and above	0% - 100%	9.6%