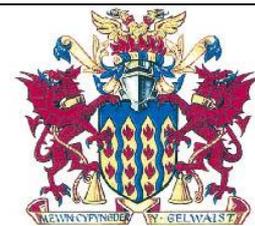


Report to	Audit Committee
Date	18 September 2023
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer (Finance and Resources)
Contact Officer	Helen MacArthur
Subject	Budget Scrutiny Working Group



PURPOSE OF REPORT

- 1 The purpose of this report is to outline to Members the proposals to form a Members' working group to provide budget scrutiny and assurance. The group will be derived from members of the Audit Committee (the Committee) and chaired by Cllr. Nigel Smith.

EXECUTIVE SUMMARY

- 2 The North Wales Fire and Rescue Authority (the Authority) is required to set a balanced revenue budget which must be approved by the full Authority before the commencement of the financial year. Although the term "balanced" is not formally defined in the legislation, the Chartered Institute of Public Finance (CIPFA) recognises that organisations should have financial plans which demonstrate how expenditure will be funded over the short and medium term.
- 3 It is proposed that the development of the 2024/25 revenue budget and the medium-term financial plan is supported through the creation of a Members' Budget Scrutiny Working Group to provide budget scrutiny and assurance to the Authority.
- 4 It is proposed that the group will meet on four occasions and include representation from each constituent local authority.

RECOMMENDATIONS

- 5 It is recommended that Members:
 - i. Approve the creation of a Members' Budget Scrutiny Working Group with the objective of providing budget scrutiny and assurance; and
 - ii. Approve the appointment of one specific individual Member representing each constituent local authority, and one reserve Member from each constituent local authority.

BACKGROUND

- 6 The Authority is required to set a balanced revenue budget which must be approved by the full Authority before the commencement of the financial year. Although the term “balanced” is not formally defined in the legislation, the Chartered Institute of Public Finance (CIPFA) recognises that organisations should have financial plans which demonstrate how expenditure will be funded over the short and medium term.
- 7 The Authority's financial sustainability in the short, medium and longer term is underpinned by knowledge and understanding of key cost drivers including the evaluation of risks and uncertainties. Pivotal to this is an understanding of service demands, resources available and the future strategic vision.
- 8 The Authority's revenue budget for 2023/24 was set in January 2023 before the 2022/23 and 2023/24 pay awards for staff conditioned on grey book terms and conditions were nationally agreed in February 2023.
- 9 The nationally agreed pay awards significantly exceeded the estimated provision within the budget for 2023/24 and was balanced through the use of reserves on a one-off basis. Coupled with other unfunded cost pressures the underlying deficit carried forward from 2023/24 is estimated to be £2.4m and sustainable arrangements are required for 2024/25 onwards.

INFORMATION

- 10 The initial planning assessment for 2024/25 indicated a year on year increase of £6m if the existing service delivery model was retained. Whilst the future operating model is currently subject to consultation through the Emergency Cover Review it is evident that cost pressures remain.
- 11 The existing cost pressures include nationally agreed pay awards for staff, supply chain inflation, supply chain pressures and interest rates. In addition, the Authority is facing a number of growth pressures arising from health and safety matters such as contamination risks associated with firefighting.
- 12 The cost pressures and financial challenges require that Members of the Authority are assured that all reasonable steps have been taken to understand the cost drivers and that the future budget proposals are considered reasonable.

- 13 It is proposed that a Members' working group is established to provide budget scrutiny and assurance to the Committee on behalf of the Authority.
- 14 The working group would include Member representative from each constituent local authority and receive professional support from the Authority's Treasurer.
- 15 If agreed, it is proposed that four meetings would be held during October and November 2023 to include the following:
- I. Budget Overview – to enable Members to gain a greater awareness and understanding of the constituent elements of the budget and to identify areas for further focus;
 - II. Pay related expenditure – in depth review of payroll elements of expenditure including those identified by Members during the first meeting;
 - III. Non-pay expenditure and the cost of capital – a review of elements of non-pay expenditure including confirmation of significant contracts and supply chain difficulties. An overview of the capital financing costs will also be undertaken including consideration of interest rate changes; and
 - IV. A final session to enable Members to conclude the work and consider the report to the Authority.

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	The working group will support the development of the budget and provide assurance that scrutiny has taken place.
Legal	It is a legal requirement for the Authority to set a balance budget which enables the organisational objectives to be achieved.
Staffing	Robust budget setting ensures that staff costs are fully considered enabling workforce plans to be developed.
Equalities/ Human Rights/ Welsh Language	The budget development is based on service plans which consider legal obligations.
Risks	A number of risks and uncertainties exist in relation to future budgets which include pay awards, inflationary increases in non-pay expenditure and interest rate risks. The budget setting process supports the short, medium and longer-term planning and supports achievement of the organisational objectives.