

AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU



NORTH WALES FIRE AND RESCUE AUTHORITY

A meeting of the **NORTH WALES FIRE AND RESCUE AUTHORITY** will be held **MONDAY 22 JANUARY 2024** virtually **via Zoom**, commencing **at 09:30hrs**.

This meeting will be preceded with a session for Members delivered by the Chief Fire Officer regarding the implications of the ECR decision.

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 Chair, 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 meetings held on 16 October 2023 and 18 December 2023**
- 5. Matters Arising**
- 6. Chair's Report**
- 7. Provisional Outturn 23/24**
- 8. Budget Setting 24/25**
- 9. Treasury Management Update 23/24**
- 10. Gifts and Hospitality Policy**
- 11. 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 2 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.

12. None

NORTH WALES FIRE AND RESCUE AUTHORITY

Minutes of the meeting of **North Wales Fire and Rescue Authority** held on **Monday 16 October 2023** virtually via **Zoom**. Meeting commenced at **09.30hrs**.

Councillor

Dylan Rees (Chair)
Paul Cunningham (Deputy Chair)
Bryan Apsley
Marion Bateman
Carol Beard
Adele Davies-Cooke
Jeff Evans
Alan Hughes (left 11:29)
Chris Hughes
John Brynmor Hughes
Gareth R Jones
John Ifan Jones (left 12:05)
Marc Jones (left 11:46)
Gwynfor Owen
Arwyn Herald Roberts
Austin Roberts
Gareth A Roberts
Rondo Roberts (left at 10:50)
Paul Rogers
Gareth Sandilands
Dale Selvester
Rob Triggs
Mark Young

Representing

Anglesey County Council
Flintshire County Council (arrived 9:35)
Wrexham County Borough Council
Flintshire County Council
Conwy County Borough Council
Flintshire County Council
Anglesey County Council
Denbighshire County Council
Conwy County Borough Council
Gwynedd Council
Conwy County Borough Council
Anglesey County Council
Wrexham County Borough Council
Gwynedd Council
Gwynedd Council
Conwy County Borough Council
Gwynedd Council
Wrexham County Borough Council
Wrexham County Borough Council
Denbighshire County Council
Flintshire County Council
Gwynedd Council
Denbighshire County Council

Also present:

Dawn Docx
Stewart Forshaw
Helen MacArthur
Stuart Millington
Dafydd Edwards
Gareth Owens
Lisa Allington
Helen Howard
Tracey Williams
David Tomalin
Mike Whiteley
Euros Lake
Carwyn Rees

Chief Fire Officer (CFO)
Deputy Chief Fire Officer (DCFO)
Assistant Chief Fire Officer (ACFO)
Assistant Chief Fire Officer (ACFO)
Treasurer
Clerk and Monitoring Officer
Executive Assistant
Head of Finance and Procurement
Head of Corporate Communications
Audit Wales
Audit Wales
Audit Wales
Audit Wales

1 APOLOGIES

Councillor

Tina Claydon
Sharon Doleman
Chrissy Gee
Beverley Parry-Jones
Michelle Walker

Representing

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

ABSENT

Councillor

Representing

The above apologies were offered and accepted.

A training session on Complaints was delivered to Members prior to the meeting's commencement.

2 DECLARATIONS OF INTEREST

- 2.1 Cllr Mark Young declared a personal interest in Item 15 – New Training Centre due to his membership on the Denbighshire Planning Committee.

3 NOTICE OF URGENT MATTERS

- 3.1 None.

4 MINUTES OF THE FRA AND AGM MEETINGS HELD ON 17 JULY 2023

- 4.1 The minutes of both the Fire and Rescue Authority (FRA) meeting and Annual General Meeting (AGM) held on 17 July 2023 were submitted for approval.

4.2 **RESOLVED to:**

- i) **approve the FRA and AGM minutes as a true and correct record of the meetings held.**

5 MATTERS ARISING

- 5.1 Congratulations were offered to Cllr Mark Young who had taken over the role of Chair of the Audit Committee following Cllr Nigel Smith's resignation.
- 5.2 It was noted that Cllr Gwynfor Owens had assumed a position on the Local Pension Board and as Deputy Chair of the Audit Committee.

6 EMERGENCY COVER REVIEW CONSULTATION OUTCOMES

- 6.1 DCFO Forshaw presented the Emergency Cover Review (ECR) paper which aimed to provide Members with an update of the key emerging themes from the programme of consultation involving the public, staff and partner organisations on the North Wales Fire and Rescue Authority (the Authority)'s Emergency Cover Review which was conducted between 21 July 2023 and 30 September 2023.
- 6.2 A further presentation was given to Members by AM Anthony Jones giving a more detailed overview of the Emergency Cover Review consultation response.
- 6.3 Thanks were given to AM Anthony Jones and his team for the hard work that had been put into the consultation, which had been both a complicated and in-depth process.
- 6.4 One Member asked what input the Fire Brigades Union (the FBU) had put into the options released for consultation. DCFO Forshaw confirmed that the FBU had been involved in the pre-consultation process, and with the main process through the Joint Consultation and Negotiation Committee, and would be presenting their options to the Authority at the ECR Working Group meeting on 7 November 2023. The CFO further confirmed that FBU Representatives at both local and regional levels were involved in the process.
- 6.5 It was noted that two thirds of staff members within the North Wales Fire and Rescue Service (the Service) had agreed with Option 1 and that overall, engagement with the consultation had been good.
- 6.6 One Member felt that there were links between this item and items 9, Audited Statement of Accounts and 10, Annual Performance Assessment and that these should be considered in conjunction with each other.
- 6.7 The Treasurer asked those present to note that Option 1 of the consultation, the option that the public had overwhelmingly given their support to, meant that there would need to be an increase in the levy to the local authorities. However, work remained ongoing through the Budget Scrutiny Members' Working Group in an effort to identify any savings that could potentially be made.

- 6.8 Following a request by a Member that the staff and other stakeholders be communicated with clearly following the outcome of this meeting, the CFO confirmed that the channels of communication had been open throughout the whole process, and remained so. Following each Authority meeting, the headlines of the meeting were issued on the same day to all staff. It would be ensured that Members were copied in on this communication today.
- 6.9 Concern was expressed by some around agreeing to ask Officers to cease work on options 2 and 3; however, it was also noted that Officers would require direction in order to continue. It would further put the minds of those staff members concerned about station closures at rest.
- 6.10 **RESOLVED to:**
- i) **Note, the comprehensive range of community and stakeholder engagement activities delivered as part of the public consultation;**
 - ii) **Note, the analysis of the consultation feedback in the report from independent consultant Sarah Barnett Research (Appendix 1;**
 - iii) **Note, additional comments and suggestions received for making improvements to the provision of fair and equitable emergency cover across North Wales.**
 - iv) **Note, the Member led Emergency Cover Review Working Group recommend that officers continue to work on variations of option 1 plus the points raised in the responses to the consultation; and**
 - v) **Agree, the recommendation from the Member ECR working group that the Authority cease working on options 2 and 3 from the ECR based on clear rejection from the public from within the consultation report.**

7 CHAIR'S REPORT

- 7.1 It was noted that a written paper had been supplied for this meeting to provide Members with information on the meetings and events attended by the Chair and Deputy Chair of the Authority in their official capacities between July 2023 and September 2023.
- 7.2 The CFO asked for her thanks to be noted to the Chair and Deputy Chair, as the workload caused by the consultation had been immense. Thanks also went to those other Members who had attended the public events.
- 7.3 **RESOLVED to:**
- i) **note the information provided.**

8 ANNUAL GOVERNANCE STATEMENT 2022/23

- 8.1 DCFO Forshaw presented the Annual Governance Statement 2022/23 paper to Members.
- 8.2 The Chair welcomed Mike Whiteley and David Tomalin from Audit Wales to the meeting, and they confirmed that the document had been reviewed by them and there had been no significant issues arising from their review.
- 8.3 Thanks were given to Officers for the professional presentation of the report.
- 8.4 **RESOLVED to:**
- ii) note the governance arrangements outlined within the 2022/23 Annual Governance Statement;**
 - iii) note the forward work plan for 2023/24; and**
 - iv) approve the 2022/23 Annual Government Statement for publishing on the Authority's website by 31 October 2023.**

9 AUDITED STATEMENT OF ACCOUNTS 2022/23

- 9.1 Dafydd Edwards, Treasurer, presented to Members the audited Statement of Accounts for 2022/23. This report also presented the findings of the Auditor General for Wales which confirmed an unqualified audit opinion.
- 9.2 The Audit Wales representatives noted that a significant amount of work had been put into this set of accounts by the finance team within the Service, and that it had been a really positive audit with a much lower occurrence of anomalies than in previous years.
- 9.3 A summary of the uncorrected misstatement referred to in paragraph 12 of the report was summarised by Audit Wales and it was clarified that the net worth of assets had been slightly overstated; however, this was a technical adjustment, had no real bearing on the accounts. They were therefore happy for it to remain uncorrected. It was confirmed that this would be taken into consideration in the following financial year when preparing the accounts.
- 9.4 **RESOLVED to:**
- i) note the audited outturn position and performance as detailed within the 2022/23 Statement of Accounts (Appendix 1);**
 - ii) note the report of the Auditor General for Wales which confirms an unqualified audit opinion (Appendix 2);**
 - iii) note the proposed letter of representation; and**
 - iv) approve of the final audited 2022/23 Statement of Accounts.**

10 ANNUAL PERFORMANCE ASSESSMENT 2022/23

- 10.1 To present for Members' approval the annual assessment of the Authority's performance during 2022/23 in relation to its progress towards achieving its long-term Improvement and Well-Being Objectives, and medium-term Equality Objectives and its compliance with applicable Welsh Language Standards.
- 10.2 Officers were congratulated for their hard work with this report, and the excellent work carried out by the Service within education was noted.
- 10.3 **RESOLVED to:**
- i) approve the annual assessment of the Authority's performance in 2022/23 for publication on the Authority's website; and**
 - ii) note the Service's intention to publish a simple summary version of the key elements of the assessment report.**

11 FINANCIAL UPDATE 2023-24

- 11.1 ACFO MacArthur provided Members with an update on the revenue and capital expenditure forecast for 2023/24, as at 31 August 2023.
- 11.2 **RESOLVED to:**
- i) note the draft revenue and capital outturn projections for the 2023/24 financial year as detailed within the report;**
 - ii) note the risks associated with inflation and supply chain issues;**
 - iii) note the risks associated with the ongoing pay negotiations; and**
 - iv) approve the use of earmarked and general fund reserves.**

12. BUDGET SETTING 2024/25

- 12.1 Dafydd Edwards, Authority Treasurer presented to Members a paper on the budget process, planning assumptions and timescales for setting the Authority revenue budget for 2024/25.
- 12.2 It was noted that the final preparation of the budget would be before Members on 22 January in preparation for the levy deadline of 15 February.
- 12.3 A breakdown of the Service's £6m deficit was given and it was noted that issues such as supply chain delays were now becoming business as usual. Members were asked to note that figures were indicative and the planning assumptions were being reviewed.

- 12.4 Members were advised that the Service had recently achieved its Cyber Essentials accreditation.
- 12.5 The Chair of the Budget Scrutiny Members' Working Group gave an overview of matters discussed at its inaugural meeting, and gave assurances that all budget lines would be appropriately scrutinised.
- 12.6 One Member highlighted that the predicted increase to the budget was around 13% and it was noted that this may change depending on the work of the Budget Scrutiny Working Group and the final option decided upon with regards to the Emergency Cover Review.
- 12.7 **RESOLVED to:**
- i) note the planning assumptions being used to develop the revenue budget for 2024/25;**
 - ii) note the remit of the budget scrutiny working group established by the Audit Committee and the proposed reporting timetable;**
 - iii) note the proposal to provide initial budget estimates to the Executive Panel at its meeting of 18 December 2022; and**
 - iv) note the proposal to seek approval for the 2024/25 revenue budget by the Authority at its meeting of 22 January 2024.**

13. TREASURY MANAGEMENT REPORT APRIL – JUNE 2023/24

- 13.1 ACFO MacArthur presented to Members the Treasury Management Report. This report provided Members with an update on the treasury management activity, and compliance with the treasury management prudential indicators for the period 1 April 2023 – 30 June 2023.
- 13.2 An error to paragraph two was highlighted - the date that the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (2021) (the CIPFA Code) was December 2023.
- 13.3 Members were advised that this report had previously been scrutinised by the Audit Committee.
- 13.4 **RESOLVED to:**
- i) approve the treasury management activity; and**
 - ii) approve the prudential indicators for quarter 1 of 2023/24.**

14a FIREFIGHTERS' PENSION SCHEME WALES – AGE DISCRIMINATION

14a.1 Cllr Rob Triggs, Cllr Paul Cunningham and Cllr Jeff Evans all declared a personal interest in this item as they were previous firefighters and members of the Firefighter's Pension Scheme. The Clerk noted that this did not preclude them from taking part in any decision-making process.

14a.2 ACFO MacArthur presented the Firefighters' Pension Scheme Wales – age discrimination report which aimed to provide an update to Members on the arrangements to address the age discrimination in the Firefighters' Pension Scheme in Wales.

14a.3 Members were asked to note that the Authority was the Scheme Manager for the Pension Schemes.

14a.4 **RESOLVED to:**

- i) note the legislative requirements and timescales established by the regulations; and**
- ii) note the work undertaken to implement the regulations.**

14b FIREFIGHTERS' PENSION SCHEME WALES – PENSION ENTITLEMENT FOR RETAINED FIREFIGHTERS

14b.1 ACFO MacArthur provided an update to Members on the proposed amendments to the Firefighters' Pension Scheme in Wales to extend access for eligible retained (on-call) firefighters with pre-2000 service.

14b.2 The Chair noted that the FBU had provided good feedback on the work that had been carried out by the Service to date.

14b.3 **RESOLVED to:**

- i) note the background to the legal matter; and**
- ii) note the proposals set out by the Welsh Government to address the legal issues arising.**

15 NEW TRAINING CENTRE LAND PURCHASE

15.1 DCFO Forshaw presented the New Training Centre Land Purchase paper which provided Members with an update on the work undertaken to assess the suitability of identified land in St Asaph, Denbighshire, for the future development of a sustainable training and development centre in North Wales.

- 15.2 Concern was expressed at a potential lack of communication between the Service and the FBU, as the FBU had stated that they did not support the proposal for the build of a New Training Centre. DCFO Forshaw noted that some comparisons had been made to the Emergency Cover Review and the need for budget savings; however, these were two separate projects and must be treated as such. There had been clear dialogue regarding this project with the FBU and this would continue moving forward.
- 15.3 Members felt that the purchase of the land was an investment opportunity for the Service and noted that going ahead with the purchase did not mean that a decision would need to be made with regards to the build of the new Training Centre.
- 15.4 One Member enquired as to whether there had been any discussions with the other emergency services with regards to collaborative working and it was confirmed that initial discussions had taken place.
- 15.5 Some initial investigations into the possibility of grant funding was raised and the Welsh Government were currently looking at whether there was any capital funding available to help with this project. However, they supported the purchase of the land in the meantime.
- 15.7 A vote took place as to the resolutions, and it was noted that the resolutions were carried with a majority vote with two abstentions, Cllr Jeff Evans and Cllr Bryan Apsley.
- 15.7 **RESOLVED to:**
- i) note the background to review fire and rescue training facilities in North Wales;**
 - ii) note that the current training facility provision is reaching its end of life;**
 - iii) approve the purchase of land in St Asaph, Denbighshire, that has been assessed as being suitable for the construction of a new training and development centre in North Wales; and**
 - iv) approve commencement of newt mitigation work to ensure the site is ready for construction from December 2024. This would be subject to Member's scrutiny and approval;**

16 REVIEW INTO AUTOMATIC FIRE ALARMS

- 16.1 ACFO Millington presented the cover report on the review into automatic fire alarms which aimed to formally present to Members an overview of the findings following an audit of false fire alarms that was undertaken by Audit Wales.
- 16.2 Euros Lake and Carwyn Rees from Audit Wales were invited into the meeting to present the report.

16.3 Members were advised that the review had focused primarily on non-domestic automatic fire alarms and an overview of the report was given.

16.4 It was highlighted that the three recommendations made by Audit Wales had been accepted by Officers and had been built into the Annual Governance Statement.

16.5 **RESOLVED to:**

- i) note the content of the Audit Wales False Fire Alarms reduction report.**

17 URGENT MATTERS

17.1 There were no urgent matters to consider.

It was noted that the next meeting would take place on 22 January 2024.

Meeting closed: 12:07

NORTH WALES FIRE AND RESCUE AUTHORITY

Minutes of the meeting of **North Wales Fire and Rescue Authority** held on **Monday 18 December 2023** virtually via **Zoom**. Meeting commenced at **13.00hrs**.

Councillor

Dylan Rees (Chair)
Paul Cunningham (Deputy Chair)
Bryan Apsley
Marion Bateman
Carol Beard
Tina Claydon
Adele Davies-Cooke
Sharon Doleman
Jeff Evans
Chrissy Gee
Alan Hughes
John Brynmor Hughes
Gareth R Jones
John Ifan Jones
Marc Jones
Gwynfor Owen
Beverley Parry-Jones
Arwyn Herald Roberts
Austin Roberts
Gareth A Roberts
Rondo Roberts
Paul Rogers
Gareth Sandilands
Dale Selvester
Rob Triggs
Michelle Walker
Mark Young

Representing

Anglesey County Council
Flintshire County Council
Wrexham County Borough Council
Flintshire County Council
Conwy County Borough Council
Flintshire County Council
Flintshire County Council
Conwy County Borough Council
Anglesey County Council
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Gwynedd Council
Wrexham County Borough Council
Wrexham County Borough Council
Denbighshire County Council
Flintshire County Council
Gwynedd Council
Denbighshire County Council
Denbighshire County Council

Also present:

Dawn Docx	Chief Fire Officer (CFO)
Stewart Forshaw	Deputy Chief Fire Officer (DCFO)
Helen MacArthur	Assistant Chief Fire Officer (ACFO)
Stuart Millington	Assistant Chief Fire Officer (ACFO)
Dan Stephens	Chief Fire and Rescue Advisor for Wales
Anthony Jones	Area Manager
Dafydd Edwards	Treasurer
Gareth Owens	Clerk and Monitoring Officer
Lisa Allington	Executive Assistant
Tracey Williams	Head of Corporate Communications
Steve Morris	Head of ICT

1 APOLOGIES

Councillor

Representing

ABSENT

Councillor

Chris Hughes

Representing

Conwy County Borough Council

There were no apologies to record.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 NOTICE OF URGENT MATTERS

3.1 No notice of urgent matters had been received.

4 TO MAKE THE DECISION ON WHICH OPTION TO IMPLEMENT FROM THE EMERGENCY COVER REVIEW

4.1 DCFO Forshaw presented the paper on the Emergency Cover Review (ECR) which aimed to provide Members with an update following the ninth North Wales Fire and Rescue Authority (the Authority) Member led ECR Working Group (the Group).

4.2 Matt Ryan, FBU, was welcomed to the meeting and presented Members with the reasons that the FBU believed the decision should be made not to implement Option 1 or Option 1a.

4.3 At this juncture, the Clerk reminded Members that they must act reasonably and make their decision as Members of the Authority rather than Councillors representing their local constituency. He advised that extensive legal advice had been sought from an independent source and that this had made it clear that the FBU Option 4 actively left the Service in a worse position than that which North Wales Fire and Rescue Service (the Service) were in today and so would not be defensible in the case of a judicial review as implementing it would be an unreasonable act.

4.4 The recommendations as laid out in the paper were proposed by a Member and the rationale for this provided. The Member further noted that the existing stations had been built in those locations most effective at the time. These locations were no longer the most effective for the evolved Service and they felt this must be addressed.

- 4.5 A Member proposed that it be resolved that no decision be made today. They advised that they had received a multitude of correspondence from members of the public asking that neither Option 1 or Option 1a be implemented and that alternative avenues be explored to identify an option that did not mean a downgrade to wholetime stations.
- 4.6 This proposal was seconded by another Member, who further requested that a recorded vote on the recommendations laid out in the paper take place.
- 4.7 The Clerk advised that one third of the membership must agree to a recorded vote taking place, and a vote on this was subsequently held. As 13 Members voted that a recorded vote be held, this motion was therefore passed.
- 4.8 A Member proposed that an amendment to recommendation one be made, that the FBU Option 4 be taken out to further consultation and that if this were favourable, the FBU Option 4 be implemented.
- 4.9 The Clerk clarified that the comparison was between the FBU Option 4 and the current level of cover, and that the FBU Option 4 would mean a service worse than that which we have currently would be provided. He further advised that the threat of judicial review would remain, even following any consultation that might be carried out around the FBU Option 4 as it would be deemed as an unreasonable decision made by the Authority.
- 4.10 The proposal to approve the recommendations as laid out in the paper was seconded.
- 4.11 A Member stated they felt that the Group should have asked for input from the FBU at an earlier stage so that any option put forward by them could have been considered and scrutinised thoroughly prior to a decision being made. They also noted that Members should not be prepared to go against the strong legal advice received with regards to the implementation of the FBU Option 4. They also seconded the proposal that the recommendations as laid out in the paper be approved.
- 4.12 It was stated that some Members felt that they were being rushed into making a decision with regards to the ECR, and that they felt there were risks that existing firefighters would leave the Service if Option 1 or Option 1a were implemented and that this would make the situation worse.
- 4.13 Other Members spoke out, some in support of the proposal that the recommendations as laid out in the paper be approved and some in support of deferring a decision.

4.14 CFO Docx stated that since becoming CFO in 2021, the intention had always been to have a mature, open, honest and truthful working relationship with Members of the Authority and as such, it would not have been right to hide the current state of affairs in the more rural areas, not just because of a statutory duty but because that was the right thing to do for the communities of North Wales. A collaborative option with the FBU would have been preferred, but unfortunately this had not been possible. The CFO asked that Members note that the FBU Option 4 had been presented at a very late stage in the process and was not viable. She further asked that a collective decision be made by Members that benefited all the residents of North Wales.

4.15 At this stage the Chief Fire and Rescue Advisor for Wales, Dan Stephens was invited into the meeting and begun by thanking Officers for the hard work that had been put into the ECR to date. He noted that the professional advice provided was clearly sound and his recommendation was that this be followed. The most effective response model must be implemented, whilst still acknowledging the finite and limited resources available.

4.16 A recorded vote took place on the following recommendations:

- i) Note the legal advice that the FBU Option 4 cannot be recommended because to adopt it would result in an operating model that is worse than the current one and worse than Option 1 and 1a. Doing so may expose the Authority to legal challenge;**
- ii) Officially reject Option 2;**
- iii) Officially reject Option 3; and**
- iv) Agree to implement an improved variant of Option 1, this being Option 1a.**

4.17 The results of the recorded vote were announced as 12 Members against the above recommendations, 11 Members for, and three abstentions. As such, the recommendations laid out in the paper were not passed. One Member was unable to vote due to audio issues.

4.18 The CFO thanked Members for their decision which she felt was important to the communities that the Service served. Having heard their views, she proposed that work with all stakeholders continue, including the FBU, to devise an alternative permanent solution that would fulfil the aims of the ECR.

4.19 **It was resolved that:**

- i) Members request that Officers continue to work with all stakeholders to develop a new permanent option taking into consideration today's decision and the limits of the proposed budget.**

Meeting closed: 14:20

Report to	North Wales Fire and Rescue Authority
Date	30 September 2023
Lead Officer	Not applicable
Contact Officer	Members Services (members.services@northwalesfire.gov.wales)
Subject	Chair's Report



PURPOSE OF REPORT

- 1 This report provides Members with information on the meetings and events attended by the Chair and Deputy Chair of the Authority in their official capacities between October 2023 and December 2023.

EXECUTIVE SUMMARY

- 2 The Chair and/or Deputy Chair have attended several meetings and events, both internally and externally on behalf of the Authority.

RECOMMENDATION

- 3 It is recommended that Members:
 - i) note the information provided.

OBSERVATIONS FROM EXECUTIVE PANEL/AUDIT COMMITTEE

- 4 This report has not previously been considered.

INFORMATION

- 5 In addition to the Authority-related meetings, the Chair and Deputy Chair have met with the Chief Fire Officer (CFO) on a regular basis.
- 6 On 11 October the Chair visited Llangefni Fire Station and met with the Station Watch.
- 7 On 17 November the Chair and the CFO attended a virtual meeting of the North Wales Regional Partnership Board. Immediately following the end of that meeting they then met with North Wales Local Authority Leaders and Chief Executives to discuss the E.C.R. and the budget for 2024-25.

- 8 On 23 November the Chair and the Deputy Chair attended a virtual meeting with members of the Independent Remuneration Panel.
- 9 On 4 December the Chair attended a virtual interview with Audit Wales as part of their review into "Governance of Fire & Rescue Authorities within Wales". The Deputy Chair was also interviewed the following day.
- 10 On 11 December the Chair attended the Emergency Services Christmas Carol Service at Bangor Cathedral.
- 11 On 14 December the Chair and the CFO met with Union representatives to discuss the forthcoming Executive Panel agenda.
- 12 On the morning of 18 December the Chair visited the scene of the large fire at the Old Shire Hall, Llangefni and thanked the crews who were still in attendance.
- 13 During this quarter the Deputy Chair has attended the 'Ceremony of Achievement' at Chirk Fire Station, Llanfairfechan Fire Station, Denbigh Fire Station and Mold Fire Station and presented certificates to the youngsters who had completed the Phoenix course.

IMPLICATIONS

Wellbeing Objectives	Not relevant.
Budget	Any costs associated with meetings and events attended by members are reimbursed from the travel and subsistence budget.
Legal	No specific implications arise from approving the recommendation.
Staffing	No specific implications arise from approving the recommendation.
Equalities/Human Rights/Welsh Language	No specific implications arise from approving the recommendation.
Risks	No specific risks arise from approving the recommendation.

Report to	North Wales Fire and Rescue Authority
Date	16 October 2023
Lead Officer	Helen MacArthur Assistant Chief Fire Officer, Finance and Resources
Contact Officer	Helen Howard, Head of Finance and Procurement
Subject	Provisional Outturn 2023/24



PURPOSE OF REPORT

- 1 To provide Members with an update on the revenue and capital expenditure forecast for 2023/24, as at 30 November 2023.

EXECUTIVE SUMMARY

- 2 The net budget requirement was approved by the North Wales Fire and Rescue Authority (the Authority) at its meeting of 16 January 2023. This confirmed a net requirement of £44.394m to be funded by the constituent local authorities. In addition, the Authority approved non-recurring measures to address the underlying deficit which included deferring expenditure and utilising reserves.
- 3 Actual expenditure is forecast to be £45.331m which includes costs relating to various projects, national pay settlements above the budget provision, and general inflationary pressures. The use of earmarked reserves, the general fund, and provisions will mitigate the additional costs and it is not anticipated that a supplemental levy will be required.
- 4 The Authority approved the 2023/24 capital budget of £6.532m, on 16 January 2023. This included £3.00m for the purchase of land relating to the proposed training centre, which is anticipated to complete during the final quarter of 2023/24. In addition, there is rollover funding of £0.625m from 2022/23. The capital programme is experiencing cost pressures and therefore schemes are being prioritised, in order to remain with the funding available. It is anticipated that expenditure will be £5.29m and a requirement to rollover funding of £1.42m.

RECOMMENDATIONS

- 5 Members are asked to:
- (i) note the draft revenue and capital outturn projections for the 2023/24 financial year as detailed within the report;
 - (ii) note the risks associated with inflation and supply chain issues; and
 - (iii) approve the use of earmarked and general fund reserves.

OBSERVATIONS FROM EXECUTIVE PANEL/AUDIT COMMITTEE

- 6 This report has not previously been considered by Members.

BACKGROUND

- 7 Each year the Authority is required to set a balanced revenue budget which must be approved by the full Authority. The final budget for 2023/24 was approved by the Authority at its meeting of the 16 January 2023. This confirmed a net revenue budget requirement of £44.394m to be funded by the constituent local authorities. This included changes to the funding flow of £1.08m of Welsh Government support for firefighters' pensions. Previously this had been directly funded to the Authority but from 1 April 2023 this was funded via constituent local authorities.
- 8 When setting the budget, Members also approved a range of non-recurring measures necessary to achieve financial balance within 2023/24 which impacted on both service delivery and corporate capacity. These included deferring expenditure and the use of earmarked and general reserves; actions necessary to address the loss of grant income of £0.4m from the Welsh Government in respect of the Airwave contract, other known pressures and also uncertainty relating to national pay negotiations.
- 9 The capital budget requirement was assessed as £6.532m and approved by the Authority at the meeting of the 16 January 2023. Since that time, slippage in the 2022/23 programme has resulted in schemes of £0.625m being carried forward into 2023/24.
- 10 This report provides information on the draft revenue and capital expenditure outturn position for the 2023/24 financial year.

INFORMATION

REVENUE BUDGET

- 11 The employee costs represent 72% of gross expenditure. The 2023/24 staffing budget is £31.872m for 2023/24 and includes measures taken at that time to contain expenditure within the approved budget. However, it was also noted when setting the budget that the national pay negotiations for all staff were still ongoing; noting that this related to both 2022/23 and 2023/24 for staff employed on grey book terms and conditions (operational staff).
- 12 The budget setting process included an assumption that pay awards for 2023/24 would be 4% for all staff. The final agreed pay award for local government staff was confirmed in November 2023 as an uplift of £1,925 across all grades which equates to approximately 6.6%.
- 13 The firefighters' pay award was settled in February 2023. This confirmed that 7% had been accepted for firefighter and firefighter control roles from July 2022 with a further 5% from 1 July 2023 onwards. These settlements were above the 5% and 4% planning assumptions used when setting the budget.
- 14 The non-pay forecasts reflect the known unavoidable cost pressures that are being experienced in relation to ICT costs, building maintenance and repairs and fuel costs. However, further uncertainty remains due to general inflationary pressures and supply chain issues resulting in expenditure above anticipated budget.
- 15 Whilst the majority of expenditure is funded from the constituent authority levy, income is received from the Welsh Government for grant funded activities, as well as recharges from other bodies in relation to the use of our premises.
- 16 Capital financing costs include the costs of borrowing and revenue charges for using capital assets. It is anticipated that this budget will be underspent due to the delays in completing capital projects.

REVENUE OUTTURN

- 17 The report is projecting an overspend of £0.937m. The breakdown is detailed below.

	Budget (£m)	Forecast (£m)	Variance (£m)	Variance (%)
Employees	31.872	31.578	(0.294)	-0.92%
Premises	3.516	4.092	0.576	16.38%
Transport	1.271	1.416	0.145	11.46%
Supplies	5.419	6.806	1.387	25.59%
Third Party Payments	0.305	0.323	0.018	5.69%
Capital Finance & Charges	3.129	2.304	(0.825)	-26.36%
Income	(1.118)	(1.188)	(0.070)	6.32%
Forecast Outturn	44.394	45.331	0.937	2.11%

EMPLOYEE COSTS

- 18 Employee costs form a significant element of the budget (72%) and include pay, pension costs, cost of recruitment and training and employee services, such as occupational health services. As part of the final budget approval in January 2023 a range of measures were approved by Members to contain staff expenditure. These are not recurring in nature and included measures such as not filling vacancies within the approved structure and limiting the anticipated increase in recruitment to retained stations.
- 19 A new staffing structure was implemented in June 2023 and these posts remain critical to achieving the corporate objectives. The cost of the vacancy savings has partially mitigated the increased costs in relation to the pay awards and overtime.
- 20 Action continues to be taken to increase the number of retained duty firefighters to address and maintain availability issues, mindful of the budget constraints.
- 21 In addition, action has continued to fill specialist vacant posts and to maintain operational capacity. During 2023/24, although there have been savings due to ongoing vacancies and posts filled part way through the year, these have been utilised to maintain availability and address sickness in operational areas.
- 22 As is the case with other local government bodies, a one-off refund has been received in relation to employer pension contributions, from Clwyd Pension Fund, following the actuarial valuation. This amounted to £0.503m.
- 23 The net underspend in employee costs amounts to £0.294m, with a further breakdown below:

Employee Costs	£m
Pay award above budget	0.730
In year vacancy savings	(1.034)
Additional hours to cover operational duties - including sickness	0.620
Other employee costs	(0.089)
Projected pension costs	(0.521)
Projected Underspend	(0.294)

NON-PAY COSTS

- 24 The non-pay budget is experiencing significant pressures. These include fuel costs which remain unpredictable due to price and supply issues. In addition, the availability and costs of other commodities such as building supplies, ICT equipment and fleet parts are also of concern given the complexity of supply chains and global uncertainty.
- 25 Non-pay expenditure is subject to ongoing review by budget holders to ensure that the projections continue to be reasonable and to manage unavoidable costs.

Premises

- 26 Premises costs are projecting an overspend of £0.576m. This is largely due to an increase in relation to servicing and maintenance costs, as well as work being completed that was outstanding from 2022/23. Earmarked reserves will be used to offset the costs of the 2022/23 works.
- 27 The budget figures include the preliminary costs agreed at a previous meeting in relation to the site surveys for the proposed land purchase and developing the business case for a new training centre (£0.25m).
- 28 The market instability and increased costs of gas and electricity are a major financial challenge for the Authority. The current projected costs are within budget and costs are monitored as part of the service level agreement with North Wales Police.
- 29 The Authority has benefited from a reduction in national non-domestic rates following successful rating appeals. The underspend in this area is £0.18m.

Transport

- 30 The transport budget is projecting a variance of £0.146m. Increasing costs in relation to fuel (oil, diesel and petrol) and the availability and costs of vehicle parts and repairs are causing pressures on this budget.

Supplies

- 31 The net supplies budget is £5.349m and current forecast overspend of £1.387m, which includes in year initiatives that will be funded from earmarked reserves. This area of expenditure includes business critical areas such as operational equipment and PPE purchase, essential ICT licences, the Firelink contract and insurances.
- 32 Significant inflationary pressures are being experienced in a number of business-critical areas and action is being taken to contain and mitigate these, where possible.
- 33 The largest element of expenditure relates to the national Firelink contract which has an annual cost of £0.84m. This is the emergency service contract which enables mobilisation to incidents, communication and interoperability between emergency partner. This will be replaced by the Emergency Services Mobile Communications Programme (ESMCP) to provide enhanced voice and data across the emergency services. However, at this stage an implementation date is not known for ESMCP and there is no alternative to the Firelink contract. Previously support of £0.42m was received from the Welsh Government but this was withdrawn from 1 April 2023 and remains an ongoing cost pressure.
- 34 The ICT costs have included pressures such as increased costs associated with telephone line rentals. In response to this financial challenge, ICT have strategically decided to mitigate costs by phasing out these outdated systems and embracing modern, cost-effective alternatives that align with current technological advancements. This proactive approach not only ensures financial efficiency but also positions the Service to benefit from the enhanced functionalities and savings offered by cutting-edge solutions. ICT costs have also increased due to the requirement to purchase additional hardware, including replacement alerters and laptops that have come to their end of life.
- 35 Significant expenditure has also been incurred to purchase additional fire kit, due to the ongoing contaminants review, which has resulted in a projected overspend of £0.474m.

- 36 The projected outturn position includes costs for the replacement of essential operational equipment and fire kit, updated HR software and project work in relation to the various reviews that are currently being undertaken throughout the Service including the Emergency Cover Review.

Third Party Payments

- 37 Third party payments relate to service level agreements with partners, including Conwy County Borough Council, Flintshire County Council, Carmarthenshire County Council and North Wales Police. The agreements include the provision of legal services, monitoring officer services, pension administration and facilities.
- 38 This expenditure is currently projected to be overspent by £0.017m. This is due to the additional work required regarding the legislative changes in relation to firefighters pensions.

Capital Financing

- 39 The capital financing budget sets aside revenue funding to finance capital expenditure and includes the minimum revenue provision and interest costs on borrowing.
- 40 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 aimed at ensuring that the Authority can pay off the debts it has from buying capital assets, such as buildings and vehicles.
- 41 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). Following discussions with the Treasury Advisors, Arlingclose, work has been undertaken to review the MRP policy and MRP calculation. This has resulted in the MRP reducing to £1.902m for 2023/24 compared to a budget of £1.999m.
- 42 The budget also holds the interest costs in relation to the Authority's loans. Due to the volatile economic position, the cost of borrowing has continued to increase. However, it has not been necessary to take out further borrowing as capital expenditure to date has been significantly slower than anticipated resulting in a forecast budget saving of £0.428m.

- 43 In addition, the Service has actively invested surplus funds, on a short-term basis. During the year rates have continued to rise and deposits have been placed in order to receive the greatest return, in line with the Treasury Management Strategy. The cash position is reviewed daily and any unused funds are transferred to various deposit accounts, in order to gain interest. To date interest received is £0.296m.
- 44 Due to the ongoing careful management of this budget, there are total savings of £0.825m.

INCOME

- 45 As well as the constituent authority levy, the budget also includes expected income for fees and charges and grants.
- 46 Fees and charges largely relate to the recharges for buildings shared with other bodies.
- 47 Other income has increased due to an increase in recharges to other bodies and proceeds from the disposal of vehicles and equipment.

	Budget (£m)	Projection (£m)	Variance (£m)
Grants	0.854	0.854	0.000
Fees and charges	0.264	0.334	0.070
Total	1.118	1.188	0.070

Grant Funding

- 48 2023/24 Welsh Government grant funding allocations totals £0.854m. A breakdown of grant funding, for 2023/24, 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 (£m)
Arson Reduction	0.169
Home Safety Equipment	0.240
Youth & Young People Engagement	0.137
National Resilience	0.308
Total Grant Funding	0.854

CAPITAL PROGRAMME

- 49 The Authority approved a capital programme of £3.532m, in January 2023. In addition, there was an allocation of £3.00m for the purchase of land for the proposed training centre.
- 50 As per the final outturn report presented to the July 2023 meeting, the requirement for rollover funding was agreed at £0.625m, for schemes that were not completed in 2022/23.
- 51 Due to ongoing delays, capital expenditure to date totals £1.115m and the year end projection is forecast to be £5.290m.
- 52 As is the case with the revenue budget, the capital programme is experiencing cost pressures, with increased costs in relation to the purchase of vehicles and building works. This is being managed by prioritising the delivery of critical projects.
- 53 Rollover of funding has already been highlighted, as per below. A total of five fire appliances are on order, however stage payments are expected to extend into 2024/25, due to delays in the availability of build slots with the supplier.
- 54 All other schemes that have not commenced this year, have been reviewed and the ones included in the table form part of the capital planning for 2024/25.
- 55 Details of the schemes are below:

Scheme	Original Allocation £m	Revised Allocation £m	Forecast £m	Rollover £m
2023/2024				
Fire Appliance replacement	1.430	0.475	0.475	0.960
Multi- purpose vans	0.189	0.189	0.269	
Electric Van pilot	-	-	0.107	
Welfare Units	0.150	0.150	0.150	
Command & Control refresh	0.600	0.600	-	
Minor Building works	0.483	0.100	0.100	
Training Towers	0.250	0.250	-	0.250
Fleet - fall arrest system and roof works	0.100	0.126	0.126	
Appliance bay doors	0.180	0.180	0.180	0.057
Llandudno Heating upgrade	0.150	0.150	-	0.150
Dolgellau Smokehouse works	-	0.365	0.256	
Proposed training centre land	3.000	3.000	3.000	
Unallocated	-	0.947	-	
Total : Capital Plan	6.532	6.532	4.663	1.417
Rollover 2022/23				
Training Towers	0.307	0.307	0.307	
Multipurpose station vans	0.160	0.160	0.162	
Buildings - Minor works	0.158	0.158	0.158	
Total: Rollover	0.625	0.625	0.627	-
Total	7.157	7.157	5.290	1.417

56 The anticipated financing of the capital expenditure is set out below:

Funding	Amount £m
Borrowing	4.563
Earmarked Reserves	0.727
Total	5.290

BORROWING

57 Capital expenditure is largely funded via external borrowing but in the short term the Authority utilises surplus revenue cash, known as internal borrowing.

58 The Authority continues to utilise internal borrowing. This means that the capital borrowing needed, as calculated by the Capital Financing Requirement (CFR), has not been fully funded with external loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary expedient to fund capital spend and generate revenue savings. However, as reserves are utilised it becomes necessary to replace the internal borrowing with external borrowing.

USE OF THE GENERAL FUND AND EARMARKED RESERVES

- 59 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.
- 60 The Authority currently has earmarked reserves of £6.22m which have been built up in recent years due to slippage in recruitment and delivery of projects following the pandemic.
- 61 In 2022/23 earmarked reserves were set aside to fund costs that should have been incurred in 2022/23, but supply chain issues meant that these could not be completed and were delayed. In addition, there are reserves set up to fund interest rate rises, increases in inflation, system improvements and service improvements.
- 62 The provisional outturn assumes that earmarked reserves will be utilised in year, to offset the overspend of £0.937m. The use of reserves is kept under review as part of the budget monitoring process.

PRUDENTIAL INDICATORS – Q2 2023/24

- 63 The Authority measures and manages its capital expenditure and borrowing with references to the following indicators. It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis. The Indicators are calculated based on the information in the 2023/24 Capital Strategy, that was approved by the Authority at its meeting on 24 March 2023.

Capital Expenditure

- 64 The Authority has undertaken and is planning capital expenditure as summarised below:

	2022/23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m
General Fund Services	3.366	5.290	5.834	5.658

- 65 Further details of the General Fund capital projects to date are detailed within the Capital Programme section of this report.

Capital Financing Requirement

- 66 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

	31.03.23 actual £m	2023/24* forecast £m	2024/25* forecast £m	2025/26* forecast £m
General Fund Services	28.877	32.158	34.407	36.749

*The table above includes the costs for the proposed training centre.

Gross Debt and the Capital Financing Requirement

- 67 Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.03.23 actual £m	30.09.23 actual £m	2023/24* forecast £m	2024/25* Budget £m	2025/26* budget £m
Debt (incl. Finance Leases)	26.650	22.200	20.787	25.960	29.683
Capital Financing Requirement	28.877	32.158	32.158	34.407	36.749

Debt and the Authorised Limit and Operational Boundary

- 68 The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	Maximum debt Q2 2023/24 £m	Debt at 30.09.23 £m	2023/24 Authorised Limit £m	2023/24 Operational Boundary £m	Complied Yes/No
Borrowing	26.650	22.200	30.999	28.990	Yes

69 Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Proportion of Financing Costs to Net Revenue Stream

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

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget
Financing costs (£m)	2.351	2.605	3.626	4.410
Proportion of net revenue stream	5.96%	5.87%	7.58%	8.65%

Treasury Management Indicators

71 These indicators are within the Treasury Management Report Q2 2023/24.

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	Effective financial management supports the long term workforce strategy to ensure that the Authority is able to discharge its responsibilities
Equalities/Human Rights/Welsh Language	None
Risks	Income and expenditure is closely monitored to ensure that deviations from the approved budget are properly identified and reported to Members.

Report to	North Wales Fire and Rescue Authority	
Date	22 January 2024	
Lead Officer	Dafydd Edwards, Authority Treasurer	
Contact Officer	Helen MacArthur, Assistant Chief Fire Officer	
Subject	2024/25 Budget Setting and Medium-Term Resource Strategy	

PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members of the North Wales Fire and Rescue Authority (the Authority) with a detailed budget overview contained within the Authority's Medium-Term Resource Strategy (MTRS) 2024/25 – 2026/27, including associated risks and uncertainties.
- 2 The report also confirms the estimated revenue budget requirement for 2024/25 and the 10-year capital programme. In accordance with the Combination Scheme Order the report seeks approval of the Service's net expenditure to be met by the constituent local authorities via the levy.

EXECUTIVE SUMMARY

- 3 The Authority is required to provide indicative figures for the 2024/25 financial levy to constituent local authorities by 31 December 2023, and confirm the final figures by 16 February 2024. The budget planning process has been subject to scrutiny by the Budget Scrutiny Working Group and an indicative planning assessment of £49.194m was presented to the Executive Panel, on 18 December 2023 (£44.394m for 2023/24).
- 4 The final indicative revenue budget for 2024/25 is £49.263m which reflects a further reduction in Welsh Government grant funding announced in December 2023 and also action taken to further reduce expenditure. This includes the utilisation of £0.924m of earmarked reserves, during 2024/25 giving a net amount of £48.322m to be met from the local authority levy. This represents a budget increase of 8.85%.

RECOMMENDATIONS

- 5 Members are asked to:
- i. Note the findings of the Budget Scrutiny Working Group, including the planning assumptions used to develop the revenue budget for 2024/25;
 - ii. approve the final financial planning assessment of a net budget requirement of £48.322m for 2024/25 including the use of earmarked reserves of £0.924m;
 - iii. note the requirement to review the arson reduction activity during 2024/25 to consider the future provision following the grant reductions;
 - iv. note the residual risks and uncertainties faced by the Authority in 2024/25 in respect of nationally agreed pay awards and financial support for the anticipated pension increases;
 - v. approve the final planning assessment of £5.676m for the capital programme for 2024/25;
 - vi. note the 10-year capital plan and the separate requirement to consider the business case for the new training centre during 2024/25; and
 - vii. endorse the communication of the financial levy to each constituent local authority.

OBSERVATIONS FROM OTHER COMMITTEES AND MEMBER PLANNING DAYS

- 6 The proposals set out in this paper are consistent with the budget setting approach outlined to Members at a meeting of the Authority on 16 October 2023.
- 7 The Authority's Budget Scrutiny Working Group (the Group) met on four occasions between October 2023 and December 2023. The results of the work of the Group were reported to the Audit Committee at its meeting of the 18 December 2023. The Audit Committee endorsed the work of the Group and confirmed the initial planning assessment of £49.194m and the proposal for further work to be undertaken to identify opportunities for further reductions and/or the use of reserves.
- 8 The Executive Panel meeting of the 18 December considered the initial draft planning assessment and noted the work of the Budget Scrutiny Working Group including the draft planning assessment and the further work to be undertaken.

BACKGROUND

- 9 Each year the Authority is required to set a balanced revenue budget which must be approved by the full Authority. The indicative financial levy must be communicated to constituent local authorities by the 31 December each year and the final levy confirmed by the 16 February before the commencement of the financial year.
- 10 The Chartered Institute of Public Finance (CIPFA) requires that organisations have financial plans which demonstrate how expenditure will be funded over the short and medium term. The Authority's financial sustainability is, therefore, underpinned by knowledge and understanding of the key cost drivers and evaluation of risks and uncertainties.
- 11 To support the development of the strategic vision and service delivery models, the Authority is currently undertaking an Emergency Cover Review (ECR), which will continue into 2024/25. As part of this work, an initial high-level financial assessment was undertaken during February 2023 which estimated the year on year budget increase at circa £6m. This represented a 13.5% increase, 5% of which addresses the underlying deficit arising from the 2023/24 budget setting process. The actions taken during the budget setting processes for 2023/24 were not sustainable as they required the use of reserves on an ongoing basis.
- 12 As part of the ECR, the Authority originally approved a number of options for consultation including two options with structural changes that reduced expenditure on a recurring basis by up to £2.4m. Following the outcome of the consultation exercise, the Authority confirmed that Option 1 was the preferred option which required a budget uplift of £6m.
- 13 The budget setting process has assumed the current service delivery model, whilst the ECR continues.
- 14 The budget setting process has been overseen by the Budget Scrutiny Working Group (the Group), a sub group of the Audit Committee which was established to provide scrutiny of the budget setting process, including all areas of income and expenditure.
- 15 The Group was established by the Authority with representation from each constituent local authority. The Group has met on four occasions between October and November 2023, with a further feedback session to all Members as part of the Emergency Cover Review Working Group meeting on 4 December. The Group considered all areas of the North Wales Fire and Rescue Service's (the Service) expenditure. The meetings focused on direct pay expenditure, non-pay expenditure, capital financing, interest and leases.

- 16 An update on the budget setting process was reported to Members of the Authority through the Audit Committee and Executive Panel meetings of the 18 December 2023. These reports confirmed a budget assessment of £49.194m noting a number of risks and uncertainties at that time. The indicative budget of £49.194m represents a year on year increase of 10.8%.

INFORMATION

- 17 The Authority's draft Medium-Term Resource Strategy (MTRS) is set out in Appendix 1 and provides a framework for the financial planning and management of the Authority for the period 1 April 2024 – 31 March 2027. The MTRS provides confirmation of the planning assumptions used including known risks and uncertainties.
- 18 The detailed budget planning work for the 2024/25 financial year has continued in accordance with the key planning assumptions, risks and uncertainties previously reported to Members and confirmed in Section 13 of the Medium-Term Resource Strategy (MTRS).
- 19 Since the meetings of the 18 December 2023, the Welsh Government has announced the reduction in grant funding for the Authority's arson reduction work and youth and young person work totalling £0.183m. This has been partially mitigated through further internal review and the final draft assessment is a budget requirement of £49.263m. In addition, it is recommended that £0.924m of reserves are utilised during 2024/25 giving a net budget requirement of £48.322m to be met from the local authority levy, representing an 8.85% increase.
- 20 It has been necessary in the short term to manage the reduction in grant income from the Welsh Government for arson reduction work. However, as this area of activity has not previously been considered a core function it be reviewed during 2024/25 to develop proposals for future years.
- 21 The table below confirms the movements between the draft budget reported to Members on 18 December 2023 and the final planning assessment.

	2023/24	Dec 2023	Further Review	Final Levy Requirement
Employees	31.826	35.209	0.248	35.457
Non-Pay	13.567	15.054	-1.248	13.806
Income	-0.999	-1.069	0.128	-0.941
Total	44.394	49.194	-0.872	48.322
% Increase		10.80%		8.85%

- 22 The employee costs are in excess of 70% of net expenditure and the draft assessment for 2024/25 is £35.457m. This includes £34.192m of direct payroll costs relating to 971 staff with the current planning assessment of a 4% in year pay awards. However, this remains a key area of uncertainty and risk with a cost pressure of £0.34m for each 1% increase. The planning assessment also assumes an additional net cost pressure of £0.4m in relation to employer contributions towards the Firefighters' Pension Scheme. The actual increase is expected to be in the region of £0.7m and although financial support from the Welsh Government is anticipated it is not yet confirmed.
- 23 The analysis of the direct payroll costs is provided below which confirms that £34.192m relate to employees working in service delivery roles. The budget planning includes provision to support the growth in the retained duty personnel to support operational response capacity and resilience.

Analysis of Direct Pay Costs	2024/25 £'m
Response Services	28.715
Protection and Prevention Services	2.779
Corporate: Professional Support	2.698
Staffing Budget Requirement	34.192

- 24 The draft budget assessment for non-pay is £13.086m including £2.8m for capital financing costs. The remaining non-pay elements have been subject to scrutiny across all departments to reduce and contain expenditure. Significant inflationary pressures are being experienced in a range of expenditure headings including technical operations, ICT, fleet and facilities.
- 25 The current planning assessment includes capital financing costs of £2.8m, made up of interest costs £0.9m and a £1.9m minimum revenue provision. Interest rates are anticipated to remain similar to current levels through most of 2024. The planning assessment for future loans is an interest rate of 5.25%, based on the advice of the Authority's treasury management advisors. Interest costs include the need to refinance loans reaching maturity in the next financial year, as previously reported via the Treasury Management update reports. The capital financing costs in relation to the training centre have been removed from the original assessment giving rise to a reduction of £1.1m against the initial planning assessment.

- 26 Lease costs amount to £0.452m in 2024/25. These have been reported separately whilst work continues to implement IFRS16, from 2024/25. IFRS 16 is a technical accounting requirement that takes a totally new approach to accounting for leases, called the 'right-of-use' model. This means that if the Service has control over, or right to use, an asset they are renting, it is classified as a lease for accounting purposes and, under the new rules, must be recognised on the balance sheet.

CAPITAL PROGRAMME

- 27 A 10-year capital plan has been devised, as part of the budget setting process. The Capital Programme has been critically reviewed resulting in the reprofiling of schemes and alternative funding options to carefully manage the impact on Capital Financing Charges. Priority has been given to schemes that are a statutory requirement.
- 28 Notably provision has not been made within the MTRS for the development of a new training centre. This will be subject to separate consideration by the Authority following the detailed planning and option appraisal.
- 29 The 10-year Capital Programme, set out in Section 10 of the MTRS, includes the Revised Programme for 2023/24, the estimate for 2024/25, and an indicative programme of projects for the period 2025/26 to 2033/34. The Capital Programme reflects the year in which a project will commence and not necessarily the year in which all the expenditure will be incurred, as this will depend on the life span of the project. Due to the longer lead-in times for appliances and vehicles being experienced, to deliver the fleet replacement programme, it may be necessary to place orders in advance of the financial year in which the replacement is due.
- 30 The revenue impact of funding the 10-year Capital Programme through borrowing has been factored into the Medium-Term Financial Plan. Due to affordability and the impact of the current economic climate, it has been necessary to review the delivery period of projects and include a revenue budget pressure, for 2025/26 onwards for Capital Financing Charges.

USABLE RESERVES

- 31 In order to contain the budget increase to 8.85%, it will be necessary to utilise £0.924m of earmarked reserves. The balance on Usable Reserves as at 31 March 2023 was £7.702m, comprising £1.480m General Fund Balance and £6.221m Earmarked Reserves.

- 32 The Authority's Financial Reserves Strategy provides that the Authority will seek to avoid using reserves to fund a general deficit in net revenue budget, as this represents an unsustainable financial position. As reported in the Medium-Term Resource Strategy for 2024/25, the impact of pay awards and inflationary pressures in 2023/24 will, as far as possible, be managed in year through robust budget management. As at 30 November 2023, the revenue budget forecast outturn position for 2023/24 is an overspend of £0.937m which, if it materialises, will need to be funded from Reserves.
- 33 As can be seen, the level of Earmarked Reserves is expected to reduce over the period of the Medium-Term Financial Plan as reserves are utilised in line with the intended purpose.

CONSTITUENT AUTHORITY LEVY

- 34 In accordance with the Combination Scheme Order the Levy per Constituent Authority is determined by population.
- 35 The Welsh Government's Distribution Sub-Group, who advise on how much revenue funding each local authority receives, has determined to use the mid-2022 population estimates sourced from the Office of National Statistics for the 2024/25 Local Government settlement. Based on this population dataset the updated contribution per Constituent Authority is shown in Section 15 of the MTRS.

FINANCIAL GOVERNANCE

- 36 This report forms part of the budget setting process. The Authority is obliged, in accordance with the requirements of the Combination Scheme Order, to submit an estimate of its net expenses for the following year to its Constituent Authorities by the 31 December annually, before determining the final budget by 15 February prior to the relevant financial year.
- 37 Members are reminded that it is the responsibility of the Constituent Authorities, through the Fire and Rescue Services Act 2004 and the powers contained within the Combination Scheme Order, to discharge their duties to maintain an effective Fire and Rescue Service in their areas, through the Combined Fire and Rescue Authority. Members' duty, while considering Fire Authority business, is to the Fire Authority, not to their constituent authorities.
- 38 Under the Constitution, approving the budget and issuing the levy is a function reserved to the Authority.

IMPLICATIONS

Well-being Objectives	This report links to the Authority's Improvement and Well-being Objectives. It reports on the financial viability of the Authority.
Budget	The initial planning assessment indicated a budget requirement of £50.4m. following the detailed planning work the current assessment is £49.194m.
Legal	The Authority has a legal duty to set a balanced budget based on realistic planning assumptions.
Staffing	Over 70% of expenditure relates to staff costs and therefore is a material factor when considering future financial stability. The risks identified by the Chief Fire Officer include ongoing pay negotiations as well as the need to recruit further retained duty staff and build corporate resilience.
Equalities/Human Rights/Welsh Language	These issues will be factored into budget setting proposals.
Risks	The key risks and uncertainties to the 2024/25 budget have been considered and set out within the MTRS.

Medium Term Resource Strategy

2024 - 2027



Gwasanaeth Tân ac Achub
Fire and Rescue Service



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

- 1.1 This is the Medium-Term Resource Strategy (MTRS) of North Wales Fire Authority. It covers a period of three years but will be reviewed annually to reflect the dynamic nature of both the fire service and changes in funding. It describes the financial direction of the organisation and outlines financial pressures.
- 1.2 In the current global economic climate public financial management is more important than ever. Having a thorough understanding of the financial outlook and the associated impact on the organisation's ability to achieve its strategic objectives is an essential starting position for future planning and ensuring sustainability. Resources are becoming scarcer, which coupled with increasing pressures and demands on services, makes it more challenging to ensure that resources are effectively targeted
- 1.3 The MTRS provides options for delivering a sustainable budget and capital programme over the medium term. It also sets out how the Authority can provide the resources to deliver the priorities in the Community Risk Management Plan (CRMP), within the challenging financial climate.
- 1.3 The MTRS sets the financial context for the Authority's revenue budget, capital programme and levy decisions.
- 1.4 The overall financial strategy seeks to deliver the Authority's Community Risk Management Plan, 2024 - 2029.

2. Aims of the Strategy

- 2.1 The MTRS assists in:
 - (i) Supporting delivery of the Community Risk Management Plan 2024-2029;
 - (ii) Improving financial planning and the financial management of the Authority's resources, both revenue and capital;
 - (iii) Using the resources available to the Authority, both internal and external to their maximum benefit;
 - (iv) Ensuring that the Authority provides value for money and continues to seek to deliver efficiency gains;
 - (v) Reviewing the Authority's policy on the use of reserves, ensuring the position continues to be sustainable and that there are sufficient resources over the medium term;

- (vi) Responding to external pressures, including changes to funding resulting from the Government's annual funding announcements.
- (vii) Ensuring that the Authority's long-term plans are sustainable and efficient.

3. Principles of the Strategy

3.1 The key principles underlying the Authority's MTRS 2024/25 – 2026/27 are:

- (i) Overall expenditure of the Authority will be contained within approved estimates each year.
- (ii) The Authority will maintain a prudent minimum General Reserve, reviewed annually, to cover any major unforeseen expenditure or loss of funding. A flexible approach will be taken to the use of reserve balances above this level where appropriate, balancing the opportunity costs of maintaining reserves against the benefits of alternative approaches.
- (iii) The Authority will maintain earmarked reserves for specific purposes only when appropriate, and which are consistent with achieving objectives.
- (iv) The Authority will continue to prioritise the achievement of Value for Money, securing economy, efficiency and effectiveness in the use of resources; in establishing the framework for the Fire Service within North Wales and; in commissioning and procurement decisions.
- (v) The Authority's Treasurer will prepare a rolling programme of three-year revenue budget forecasts to inform the Authority's budget and levy decisions.
- (vi) The Authority, supported by the Authority's Treasurer and Chief Fire Officer, will continue to contribute to national reviews of fire funding and take every opportunity to engage in order to pursue the fair and equitable funding of North Wales Fire Authority.

4. Reviewing the Strategy

4.1 The Authority's MTRS review for 2024/25 to 2026/27 has been carried out under the following key themes:

- (i) The financial context in which the Authority operates;
- (ii) The Authority's current financial position;

- (iii) The impact of the CRMP including the impact of the Emergency Cover review;
- (iv) The impact of inflation;
- (v) The future budget pressures that the Authority will face over the period of the strategy;
- (vi) Budget savings;
- (vii) The Authority's capital programme;
- (viii) Reserves policy;
- (ix) Risk assessment;
- (x) Financial Resilience.

5. Community Risk Management Plan

- 5.1 The successful delivery of the Strategy requires the Chief Fire Officer to manage a complex set of resources, demands, and priorities whilst reviewing and revising plans to meet the risk profile for fire services within the available financial resources.
- 5.2 Recognising the need to plan for the longer-term the Authority is revising its planning arrangements, the outcome of which is the introduction in 2024/25 of a 5-year Community Risk Management Plan (CRMP). The CRMP highlights how the Authority intends to address the risks, threats and challenges facing the communities of North Wales and how it proposes to meet and reduce them, whilst ensuring assets and resources are used successfully, providing the best possible service to the communities.
- 5.3 The Authority's MTRS is underpinned by workforce planning and capital programmes which are aligned with the delivery of the Community Risk Management Plan priorities and the continued delivery of an efficient and effective fire service to the communities of North Wales.
- 5.4 As part of the Community Risk Management Plan methodology, the Service identifies hazards and the associated level of risk across North Wales. Appropriate Risk Reduction and Community Safety strategies are developed and monitored and resources are deployed to ensure an effective response.

6. Financial Context

- 6.1 **Funding** - The majority of funding for the Fire and Rescue Service is received by way of a levy from the six constituent authorities, within North Wales, in proportion to population for each authority. The population for each local authority is set by the Welsh Government's Distribution Sub Group on an annual basis.
- 6.2 Each Fire & Rescue Authority must, before 31st December in any year, submit to each constituent authority an estimate of its net expenses for the next financial year. Then, before 15 February they must inform each constituent authority of the contribution to be made by that authority in the next financial year.
- 6.3 In addition, funding is also received from the Welsh Government, by way of grants. The value of the grants has reduced significantly in recent years, including the withdrawal of the Arson Reduction Grant from 2024/25. The MTRS includes grant funding of £0.364m for 2024/25.
- 6.4 This MTRS as presented includes an increase in the net revenue expenditure of £3.973m for the 2024/25 financial year, which equates to an uplift of 8.85%. The impact on the Constituent Authorities levy is noted in Section 15. An increase of 9.01% and 5.26% has also been included for future years. Final decisions on the actual net revenue expenditure and associated levy will be made each year by the Authority based on the financial circumstances at the time.

7. Current 2023/24 Financial Position

- 7.1 The Authority's budget for 2023/24 is £44.39m. The latest revenue monitoring report shows a projected budget overspend of £0.937m, as at 30 November 2023. The overspend will be funded from earmarked reserves.

	Budget (£m)	Forecast (£m)	Variance (£m)	Variance (%)
Employees	31.872	31.578	(0.294)	-0.92%
Premises	3.516	4.092	0.576	16.38%
Transport	1.271	1.416	0.145	11.46%
Supplies	5.419	6.806	1.387	25.59%
Third Party Payments	0.305	0.323	0.018	5.69%
Capital Finance & Charges	3.129	2.304	(0.825)	-26.36%
Income	(1.118)	(1.188)	(0.070)	6.32%
Forecast Outturn	44.394	45.331	0.937	2.11%

- 7.2 The budget is held by the Authority to provide financial resources to deliver operational fire response and protection. The Capital Financing budget comprises the revenue provision for repayment of borrowing, interest costs and investment income.
- 7.3 The forecast closing position on revenue reserves for 2023/24 is £6.764m, this represents a reduction of 13.9%, compared with 2022/23.

8. Medium Term Budget Pressures in North Wales

- 8.1 When calculating the medium-term budget projections for North Wales consideration has been given to a number of budget pressures including:
- (i) Pay and price increases;
 - (ii) Budget pressures;
 - (iii) Revenue implications of the capital programme.
- 8.2 **Pay and price increases** - Indicative budget forecasts for 2024/25 to 2026/27 reflect the impact of inflation on budgets wherever possible such as energy, business rates and rent increases along with known contract increases. In addition, estimates for future pay awards are at 4% in 2024/25 and the same in future years.
- 8.3 **Budget pressures** - The MTRS also includes estimates of the impact of the valuation of the Firefighters' Pension Scheme and the triennial review of the Local Government Pension Scheme (LGPS).
- 8.4 **Revenue implications of the capital programme** – For 2024/25 a 10-year capital programme has been developed and is summarised in Section 10 below. The implications of this programme are fully reflected in the MTRS.

9. Medium Term Efficiencies and Productivity

- 9.1 The Chief Fire Officer's report to Members in September 2021 provided a situation assessment. This confirmed that the key challenges facing the Authority are maintaining sufficient availability of on-call fire crews; ensuring sufficient resources to maintain and develop firefighter skills; and having enough corporate capacity to meet current and future demands.

- 9.2 Following this assessment, the Authority approved a number of internal reviews including an emergency cover review, a review of the retained duty system (on-call crews) and a training review to ensure firefighter safety. These reviews have been supplemented through further work in key areas such as wildfire tactical assessments and decontamination of appliances, kit and equipment.
- 9.3 In addition, the Budget Scrutiny Working Group has requested further work that focusses on the Service's leased buildings and a review of the current fleet.
- 9.4 During 2023 the Authority commenced a review of its arrangements for providing an emergency response to the communities of North Wales. The Emergency Cover Review (ECR) included a public consultation on three potential options of future service delivery. The primary objectives of the ECR were to address challenges in rural cover, ensure capacity to address future service demands including environmental and technical changes and also to ensure financial stability in the short and medium term.

The Authority discussed the outcome of the ECR at its meetings of 16th October and 18th December 2023, including consideration of a number of options for addressing the challenges currently being faced. The final service delivery model has not been confirmed and this work will continue during 2024/25 in collaboration with key stakeholders for consideration by the Fire and Rescue Authority. Until this work has been concluded the financial framework is based on existing service delivery models.

- 9.5 In 2023/24, the Authority approved a budget allocation of £3m for the purchase of land for a proposed training centre. The purchase is anticipated to be completed during the 2023/24 financial year. During 2024/25 the Authority will consider the options for future development to ensure that the arrangements for essential training are safe and sustainable. The MTFS does not include any costs for this project as the scope of the project and the associated timings are uncertain at this time.

10. Capital Estimates and Financing

- 10.1 The following table provides a summary of the 10-year capital programme:

Project Description	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	2031/32 £m	2032/33 £m	2033/34 £m
ICT upgrades		0.827	0.232	0.495	0.350	-	0.125	0.072	1.827	0.160	0.450
Training towers	0.307	0.305	0.305	0.305	0.305	0.305	0.305	0.305	0.305	0.305	0.305
Station improvements	0.820	1.100	0.485	0.510	3.925	0.500	0.625	0.375	0.225	0.225	0.075
Sustainability works		0.470	-	1.000	-	-	-	-	-	-	-
Training Facilities upgrade		0.300	-	-	-	-	-	-	-	-	-
Fire Appliances	0.475	0.427	0.940	-	-	2.241	4.412	-	-	1.540	-
Specialist Vehicles (Red Fleet)	0.150	-	2.800	1.350	1.950	0.500	0.975	-	0.650	-	0.300
Light Vehicles	0.538	0.166	0.400	0.447	-	-	-	0.329	0.895	0.447	-
Specialist Light Vehicles		0.632	0.530	0.210	-	0.336	-	0.090	1.289	0.040	0.090
Operational Equipment		0.290	0.595	0.150	0.300	0.100	1.200	-	0.075	-	-
Fleet Equipment		0.050	0.136	-	-	0.033	0.020	-	-	-	-
Training Centre Land	3.000										
Rollover of Funding											
Fire Appliances		0.960	-	-	-	-	-	-	-	-	-
Sustainability works		0.150	-	-	-	-	-	-	-	-	-
Planned Capital Expenditure	5.290	5.676	6.424	4.468	6.830	4.015	7.662	1.171	5.266	2.717	1.220

10.2 Key areas to note in the proposed programme are:

- (i) **Building Schemes** - Estates refurbishment programme is based on operational requirements and do not currently include any schemes that may be required following a change to service delivery models;
- (ii) **Information Technology** - the Service have a number of projects to deliver change and efficiency through transformation as well as ongoing replacement of existing IT hardware;
- (iii) **Vehicles and Equipment** - a rolling programme of vehicle replacement and programmes for upgrading operational equipment.

Capital Financing

Capital Estimates	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	2031/32 £m	2032/33 £m	2033/34 £m
Forecast Expenditure	5.290	5.676	6.424	4.468	6.830	4.015	7.662	1.171	5.266	2.717	1.220
Financed by:											
Grants and Contributions	0.727	-	-	-	-	-	-	-	-	-	-
Borrowing	4.563	5.676	6.424	4.468	6.830	4.015	7.662	1.171	5.266	2.717	1.220
Total Financing	5.290	5.676	6.424	4.468	6.830	4.015	7.662	1.171	5.266	2.717	1.220

10.3 The capital financing approach is to use borrowing and reserves where appropriate to fund the Capital Programme. The revenue implications of this borrowing are fully reflected in the MTRS Budget Forecast.

11. Indicative Budget Forecasts 2024/25 to 2026/27

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

	2024/25 £m	2025/26 £m	2026/27 £m
Base budget	44.394	49.246	53.087
Budget Pressures			
Pay and Pensions	3.797	1.986	1.393
Non Pay inflation	0.500	0.343	0.190
Previously grant funded - ART and Phoenix	0.244	-	-
Non Pay investment			
Wildfire kit	0.240	-	-
Replacement equipment	0.069	0.261	-
Replacement IT operational software/hardware	0.200	0.472	-
ISDN line upgrade	0.141	-	-
Revenue impact of capital financing & leases	- 0.338	0.779	0.776
Budget Requirement	49.246	53.087	55.445
Planned use of reserves	- 0.924	- 0.410	-
Net Budget Requirement	48.322	52.677	55.445
Budget Increase	8.85%	9.01%	5.26%

11.3 The forecast budget is allocated as follows:

2023/24 £m	Subjective Analysis	2024/25 £m	2025/26 £m	2026/27 £m
30.495	Direct Pay Costs	34.192	36.177	37.570
1.377	Other employee costs	1.265	1.594	1.530
3.516	Premises	3.382	3.388	3.553
1.271	Transport	1.306	1.758	1.424
5.326	Supplies, Services and 3rd Party	6.854	7.150	7.580
3.129	Capital Financing	2.737	3.454	4.081
0.398	Leases	0.452	0.514	0.663
- 1.118	Income	- 0.941	- 0.948	- 0.956
-	Tranfers from reserves	- 0.924	- 0.410	-
44.394	Budget requirement	48.322	52.677	55.445

11.4 **Budget Monitoring arrangements**

The Authority's Treasurer and section 151 Officer confirms that the Authority has timely and robust monitoring arrangements in place and that the financial outturn is reported to the Fire Authority at each meeting.

12. Reserves

Background information on Reserves

- 12.1 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement
- 12.2 Reserves are cash backed balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be spent once, and are not part of the base budget.
- 12.3 In establishing reserves, the Authority must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Under section 25 of the Local Government Act, the Chief Finance Officer has a duty to report on the robustness of estimates and reserves, when the authority is considering its budget requirement.
- 12.4 The advice, from the Chief Finance Officer, should be set in the context of the authority's risk register and medium-term plans and should not focus exclusively on short-term considerations. Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that councils should be particularly wary about using reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term
- 12.4 CIPFA recommended as good practice that Fire Authorities publish a Reserve Strategy Statement. The statement provides an explanation for each reserve along with its value. It also includes a narrative explaining whether the current and projected level of reserves is appropriate, and if governance arrangements for reserves are adequate and appropriate. The Reserve Strategy Statement forms part of the final outturn report presented to the Fire Authority. The Authority also has a Reserves Strategy which was approved in March 2021, for a period of 3 years. The strategy is currently under review and will be presented to the Audit Committee in March 2024.

12.5 The Authority's balance sheet reserves are summarised as follows:

- (i) **General Reserve** - a contingency for unexpected events or emergencies;
- (ii) **Earmarked Reserves** - to meet known or predicted liabilities.

12.6 CIPFA guidance issued in June 2003 confirms that relevant bodies should make their own judgements on such matters, taking in to account relevant local circumstances and an assessment of risk and the advice of the Chief Finance Officer.

Reserves Strategy

12.7 The Authority must retain adequate reserves so that unexpected budget pressures can be met without adverse impact on the achievement of key objectives. The Authority's policy for reserves and balances is based on a thorough understanding of the organisation's needs and risks. Part of this process is to give a clear explanation of the existing and proposed use of reserves and this is addressed in the paragraphs below.

General Reserve

12.8 The expected General Reserve at 1 April 2024 will be £1.5m. This represents around 3% of the 2024/25 net revenue expenditure. The Authority does not set minimum reserve levels in respect of their general fund balances, however it is good practice to have reserves between 3% - 5%.

Earmarked Reserves

12.9 Earmarked Reserves represent funds which have been set aside by the Authority for specific purposes. Further details regarding the reserves can be found as part of Note 9 in the Statement of Accounts - [north-wales-fire-and-rescue-authority-statement-of-accounts](#).

The table below shows the overall strategy for use of reserves over the MTRS period.

	Balance 31-Mar-21 £'000	Balance 31-Mar-22 £'000	Balance 31-Mar-23 £'000	Balance 31-Mar-24 £'000	Balance 31-Mar-25 £'000	Balance 31-Mar-26 £'000	Balance 31-Mar-27 £'000
Service reserves							
Pension Reserve	85	85	545	545	545	545	545
Capital Financing Reserve	100	300	300	300	300	300	300
Fire Hydrant Repairs	90	90	90	90	90	90	90
PPE Uniform / Stock	250	250	250	250	0	0	0
Transformational Change	800	851	851	644	457	457	457
Facilities Improvement	490	1,323	651	451	251	251	251
Legal Liability	200	225	186	186	186	186	186
Training	100	250	250	250	200	200	200
Major Incidents	150	150	150	150	150	150	150
System Improvements	501	847	710	710	668	258	258
Inflation	0	250	250	250	250	250	250
Capital & grant reserves							
HFSC Grant Reduction	195	195	195	195	0	0	0
Radio Scheme (ESN)	500	750	750	750	750	750	750
Capital building projects	0	0	1043	514	514	514	514
Total	3,461	5,566	6,221	5,285	4,361	3,951	3,951

12.10 The Authority retains Earmarked reserves for the following purposes:

- Insurance – to meet potential uninsured losses;
- Capital Environmental Improvement funding to support health and safety and achieve carbon zero
- Business Continuity – to meet any expenditure required in relation to maintaining the Service's resilience;
- Emergency Services Mobile Communication Programme (ESMCP) – to meet the costs of the national rollout of the new system;
- Service Improvements – to support initiatives across the Service including transformation change;
- Pay and Prices – funding for pay and prices increases in excess of budget assumptions.
- Pensions – to manage pensions costs and to support workforce planning

12.11 Adequacy of Reserves

The Section 151 Officer confirms that the current reserves held by the Authority are adequate. The position on reserves will be kept under continuous review. Any material changes will be reported to the Authority.

13. Risk Assessment

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

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Employee costs	<ul style="list-style-type: none"> The staffing budgets have been formulated on the staffing establishments required to deliver the current service delivery model. The future work as part of the ECR review will work within these financial parameters. At the time of setting the budget for the 2023/24 financial year, the national pay awards for firefighters for the 2022/23 & 2023/24 financial years had not been finalised. The final budget for 2023/24 assumed 5% and 4% respectively but the actual pay award was settled at 7% and 5%. The increased costs associated with this have been built into the base budget and a planning assessment of 4% for national pay awards in 2024/25 has been made for all staff. 	<ul style="list-style-type: none"> The nationally agreed pay awards for 2024/25 have not been agreed but for each percentage point above the 4% planning assessment the financial risk is circa £0.34m The budget planning assumes normal levels of activity. If spate conditions occur budget pressures will be experienced. The working assumption is that the General Fund would be utilised in the first instance. The valuation of the firefighters' pension scheme was undertaken during 2020 and the provisional results indicate a significant increase with a potential cost pressure of £0.70m. The current planning assessment anticipates that financial support will be received to partially mitigate this increase although this is not yet confirmed. A residual financial risk of £0.30m exists.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Non-Pay	<ul style="list-style-type: none"> • The initial planning assessment has confirmed that the non-pay budgets will be formulated on existing service delivery models, updated for the outcome of the Emergency Cover Review. The demands on the non-pay budget are further exacerbated by the inflationary impact inherent within existing and future contracts and supply chain issues in a number of business-critical areas. These include the supply of firefighting kit and the sourcing of replacement parts for operational vehicles. • Unavoidable costs associated with industry specific health and safety matters have been included within the non-pay budget. These include costs associated with the management of contaminants for our operational firefighters following national work. • Budgets have been formulated using the knowledge and professional judgement of budget managers and underlying contractual obligations but through necessity include a large degree of estimation. Where costs pressures can be quantified these have been separately identified and included. • During 2023/24 the Welsh Government removed its financial support of £0.416m for the existing national emergency services communication network (Firelink). The full contract price of £1.225m is now funded directly from core funding. Due to the fixed nature of this contract these costs are unavoidable and the contract includes an annual inflationary increase. 	<ul style="list-style-type: none"> • Whilst the Service continues to review non-pay costs and strives to manage cost pressures within the planned budget this remains an area of risk due to ongoing pressures within the supply chain arising from price rises and availability issues. This position is being carefully managed but due to significant volatility it is not possible to fully quantify the impact. • The cost of gas and electricity has been a known cost pressure since 2022/23 due to global cost pressures. The position appears to have stabilised and the budget for 2024/25 is predicated on best estimates at this time. However, volatility in the market continues and this remains a known uncertainty and risk. • Specific provision has not been made within the budget for carbon reduction but is included within anticipated non-pay costs. For example, the move away from diesel vehicles is included in future fleet costs.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Capital Financing	<ul style="list-style-type: none"> • The capital financing requirement for 2024/25 includes the revenue charge for the minimum revenue provision for existing assets and an estimate of the interest charges arising from borrowing. These costs are influenced by historical capital expenditure, the need to borrow for the 2024/25 capital programme and the impact of interest rate increases when re-financing maturing loans. • The initial planning assessment will assume that all future borrowing will be at the prevailing PWLB rate at the time of budget setting. • The capital plan now excludes potential building costs associated with a new training centre. At this time the business case has not been considered by the Authority. 	<ul style="list-style-type: none"> • The increase in interest rates is a key risk area given the economic uncertainty at this time. Financial modelling will be undertaken to assess the sensitivity of the Authority's financial position and performance to existing interest rates and reported as part of the budget setting. • The timing of any costs associated with a new training centre are unknown at this stage as the business case has not been considered by the Authority. Although it is not anticipated that any building works will commence during 2024/25 it may be necessary to make provision for costs associated with detailed planning applications should approval be given.
Income	<ul style="list-style-type: none"> • Income budgets have been reviewed and set in line with previous years. • Welsh Government grant income reduced significantly during 2023/24 due to the removal of the Firelink Grant (£0.42m) and incorporation of the Scape Grant (£1.08m) into the RSG paid to local authorities. • In 2024/25 the Arson Reduction grant has been removed (£0.169m) and the allocation of the Youth and Young People Engagement grant has been reduced to £0.123m. • The draft budget assumes that the National resilience grant funding will be received at 2023/24 levels. 	<ul style="list-style-type: none"> • No specific risks have been identified over and above the grant income from the Welsh Government. Allocations, within the budget are based on the reduced allocations.

13.2 Robustness of Estimates

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

14. Financial Resilience

Sensitivity analysis

- 14.1 The MTRS refresh is being undertaken in a more uncertain environment as significant inflationary pressures impact the economy.
- 14.2 The current MTRS assumes pay awards at 4% for 2024/25, 2025/26, 2026/27.
- (i) Pay makes up over 70% of the total spend and this remains one of our single largest assumptions. The table below shows the impact of differing pay awards in terms of sensitivity. Each additional 1% will cost an additional £0.34m per year.
 - (ii) Major factors driving the non-pay expenditure is inflation, which is currently at 4.6%. However certain areas of expenditure are seeing increases in excess of this. Some insurance policies are likely to increase by 10%, and above inflation increases are also being experienced in relation to IT costs and building maintenance. In addition, many contract increases have been in line with RPI which has seen average increases of 10%. Forecasts also suggest that global oil prices will increase in 2024, which will have an impact of fuel costs.

Medium Term Resilience

- 14.4 CIPFA indicators have been developed to demonstrate the medium-term financial resilience of Fire Authorities. These indicators allow benchmarking with other Authorities and organisations and provide an overall assessment of financial resilience. Whilst the indicators have been devised for English authorities, included below are the indicators that are relevant to Welsh authorities.
- 14.5 **Over/underspends relative to Net Expenditure** – It is important that Authorities keep over/underspending under control and that actual expenditure is as close as possible to the levels planned. *estimated position

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24* £m
Net Revenue Expenditure	35.942	37.074	39.414	44.394
Over/(under) spend	- 0.063	- 0.070	0.040	-
Over/ (under) spend as a % of NRE	-0.18%	-0.19%	0.10%	0.00%

14.6 **Useable Reserves as a percentage of Net Revenue Budget** – Reserves allow for periods of uncertainty to be managed and healthy levels of useable reserves are an important safety net to support financial stability.

	Balance	Balance	Balance	Balance	Balance	Balance	Balance
	£m	£m	£m	£m	£m	£m	£m
	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
Net Revenue requirement (NRE)	35.942	37.074	39.414	44.394	48.322	53.079	55.455
General Reserve	1.450	1.520	1.480	1.480	1.480	1.480	1.480
Earmarked Reserve	3.461	5.566	6.221	5.285	4.361	3.951	3.951
Reserves as a % of NRE	13.66%	19.11%	19.54%	15.24%	12.09%	10.23%	9.79%
Change in %		5.45%	0.43%	-4.30%	-3.15%	-1.86%	-0.44%

14.7 **The Cost of Borrowing as a percentage of Net Revenue Expenditure** – Borrowing commitments are long term and must be funded from ongoing revenue budgets. This table shows the amount of revenue funding committed to meet current and future borrowing commitments.

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Net Revenue Expenditure (NRE)	35.942	37.074	39.414	44.394	48.740	53.179	54.632
MRP	2.104	2.001	1.959	1.902	1.885	2.267	2.601
interest	0.380	0.305	0.465	0.698	0.852	1.187	1.480
Cost of borrowing as a % of NRE	6.91%	6.22%	6.15%	5.86%	5.61%	6.50%	7.47%
Level of debt	26.209	24.435	26.460	20.785	24.493	28.508	30.234
Level of debt as a % of NRE	72.92%	65.91%	67.13%	46.82%	50.25%	53.61%	55.34%

15 Constituent Authority Levy

15.1 The Welsh Government's Distribution Sub-Group, who advise on how much revenue funding each local authority receives, has determined to use the mid-2022 population estimates sourced from the Office of National Statistics for the 2024/25 Local Government settlement. Based on this population dataset the updated contribution per Constituent Authority is shown in the table below.

Authority	2023/2024 Contribution £	Population	Apportionment %	2024/25 Budget Requirement (Levy) £	Increase in Levy £	Increase in Levy %
Anglesey Council	4,402,671	69,049	10.03%	4,848,293	445,622	10.12%
Gwynedd Council	7,913,676	117,591	17.09%	8,256,681	343,005	4.33%
Conwy County Borough Council	7,477,835	114,290	16.61%	8,024,901	547,066	7.32%
Denbighshire County Council	6,064,090	96,558	14.03%	6,779,844	715,754	11.80%
Flintshire County Council	9,936,363	155,319	22.57%	10,905,762	969,399	9.76%
Wrexham County Borough Council	8,599,526	135,394	19.67%	9,506,724	907,198	10.55%
Total	44,394,161	688,201	100%	48,322,205	3,928,044	

16. Conclusion

- 16.1 The overall financial position of North Wales Fire and Rescue Authority is sustainable over the medium term. However, this is dependent on the use of £2.271m from reserves between 2023/24 and 2026/27. The Authority's overall financial position will be reviewed on an on-going basis.
- 16.2 The MTRS sets out how all three years of the MTRS will be financed and general reserves are estimated at £6.765m for 2023/24.

Report to	North Wales Fire and Rescue Authority
Date	22 January 2024
Lead Officer	Helen MacArthur – Assistant Chief Fire Officer
Contact Officer	Helen Howard – Head of Finance
Subject	Treasury Management Report Q2 2023/24



PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members of the North Wales Fire and Rescue Authority (the Authority) with an update on the treasury management activity and compliance with the treasury management prudential indicators for the period 1 April 2023 to 30 September 2023.

EXECUTIVE SUMMARY

- 2 In December 2003, the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice (2021)* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 3 The CIPFA Code also included a new requirement for quarterly reporting of the treasury management indicators from April 2023. The non-treasury prudential indicators are incorporated in the Authority's normal revenue and capital monitoring report.
- 4 The Authority's treasury management strategy for 2023/24 was approved at a meeting on 20 March 2023. As the Authority borrows and invests significant sums of money there are financial risks that need to be considered including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

OBSERVATIONS FROM AUDIT COMMITTEE

- 5 The Audit Committee considered the Treasury Management activity for 2023-24 at its meeting of 18 December 2023. The Audit Committee noted new activity and endorsed the approval of the Prudential Indicators for Quarter 2 of 2023-24.

RECOMMENDATIONS

- 6 Members are asked to:
 - i) note the treasury management activities and prudential indicators for the period 1 April to 30 September 2023.

EXTERNAL CONTEXT

- 7 Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.
- 8 The Bank of England's Monetary Policy Committee (the Committee) continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.
- 9 Interest rate expectations priced in further hikes in policy rates. Arlingclose, the Authority's treasury adviser, revised its forecast to a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.
- 10 Heightened 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 On 31 March 2023, the Authority had net borrowing of £22.48m arising from capital expenditure.
- 12 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in [Table 1](#) below.

Table 1: Balance Sheet Summary

	31.03.23 Actual £m	30.09.23 Actual £m
General Fund CFR	28.88	32.42
External borrowing	-26.65	-22.20
Internal borrowing	0.00	-9.22
Less: Balance sheet resources	-6.40	-9.94
Less: Investments	4.17	8.94
New borrowing	0.00	0.00

- 13 [Table 1](#) confirms that the Authority's net borrowings were below the Capital Financing Requirement (CFR).
- 14 The treasury management position at 30 September and the change over the six months is shown in [Table 2](#) below.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	30.9.23 Balance £m	30.9.23 Rate %
Long-term borrowing (PWLB)	17.79	-0.66	17.13	1.00 - 4.90
Short-term borrowing	8.86	-3.79	5.07	1.30 - 3.91
Total borrowing	26.65	-4.45	22.20	
Short-term investments	0.00	-2.00	-2.00	5.20
Cash and cash equivalents	-4.17	-2.77	-6.94	4.65 – 5.14
Total investments	-4.17	-4.77	-8.94	
Net borrowing	22.48	-9.22	13.26	

BORROWING

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

BORROWING STRATEGY AND ACTIVITY

- 17 As outlined in the treasury strategy, the Authority's main objective when borrowing has been to adopt a low risk strategy balancing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 18 There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. Bank Rate was 2% higher than at the end of September 2022.

- 19 Public Works Loan Board (PWLB) borrowing rates continued to rise over the quarter. On 30 September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 20 At 30 September the Authority held £22.20m of loans, a decrease of £4.45m on 31 March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30 September are summarised in [Table 3A](#) below.

Table 3A: Borrowing Position

	31.3.23 Balance £m	Net Movement £m	30.9.23 Balance £m	30.9.23 Weighted Average Rate %	30.9.23 Weighted Average Maturity (years)
Public Works Loan Board	20.65	-1.45	19.20	2.46	4.54
Local authorities (short-term)	6.00	-3.00	3.00	3.91	1.00
Total borrowing	26.65	-4.45	22.20		

- 21 The Authority's short-term borrowing cost has continued to increase with the rise in Bank Rate and short-dated market rates. The average rate on the Authority's short-term loans at 30 September 2023 on £3.00m was 4.35%, this compares with 1.3% on £6.00m loans 12 months ago.

Table 3B: Long-dated Loans borrowed

	Amount £m	Rate %	Period Remaining (Years)
PWLB Maturity Loan	2.00	4.80	29
PWLB EIP Loan	0.68	3.09	14
PWLB EIP Loan	4.86	3.91	17
Loans over 5 years	7.54		

- 22 The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

- 23 During the period 1 April to 30 September 2023, a short-term market loan of £3m was repaid. This was replaced with a long term PWLB loan, which was taken out in 2022/23. This was undertaken following advice from our treasury management advisors and undertaken when interest rates were favourable.

TREASURY INVESTMENT ACTIVITY

- 24 On 20 December 2021, CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes. 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.
- 25 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £4.17m and £10.18m due to timing differences between income and expenditure. The majority of the balance relates to the income received in relation to the Firefighters Pensions Fund, which will be spent throughout the year. The investment position is shown in [table 4](#) below.

Table 4: Treasury Investment Position

	31.3.23		30.9.23	30.9.23	30.9.23
	Balance	Net	Balance	Income	Weighted
	£m	Movement	£m	Return	Average
		£m		%	Maturity
					days
Banks & building societies	4.17	2.77	6.94	4.65 - 5.14	on call
DMADF	0.00	2.00	2.00	5.20	54
Total investments	4.17	4.77	8.94		

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

- 28 Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 5.17% and 5.29% by the end of September and Money Market Rates between 4.65% and 5.14%.

COMPLIANCE

- 29 The Treasurer reports that all treasury management activities undertaken during the quarter complied with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy.
- 30 During Quarter 2, the Service has opened a Debt Management Office Account, as the Treasury Management Strategy allows for unlimited funds to be placed with the DMO.
- 31 Compliance with specific investment limits is demonstrated in [table 5](#) below.

Table 5: Investment Limits

Institution	Description	Limit	30.09.23 Actual	Complied? Yes/No
Banks	All UK banks and their subsidiaries that have good ratings (Fitch or equivalent). This is currently defined as long term (BBB)	£5m per bank	£6.94m	yes
Central Government	Debt Management Office (DMO)	Unlimited	£2.0m	yes
Money Market Funds (MMF)	Only in conjunction with advice for Arlingclose	£1m per fund	0	yes
Local Authorities	All except those subject to limitation of council tax and precepts under Part 1 of the Local Government Finance Act 1992	£2m	0	yes
Building Societies	Building societies with a rating (as for the banking sector)	£2m	0	yes
Building Societies (Assets £1bn)	Building societies without a rating but with assets of £1 billion or more	£2m/9 months	0	yes

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

Table 6: Debt and the Authorised Limit and Operational Boundary

	30.9.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	22.20	28.99	30.99	Yes
Total debt	22.20	28.99	30.99	

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

TREASURY MANAGEMENT INDICATORS

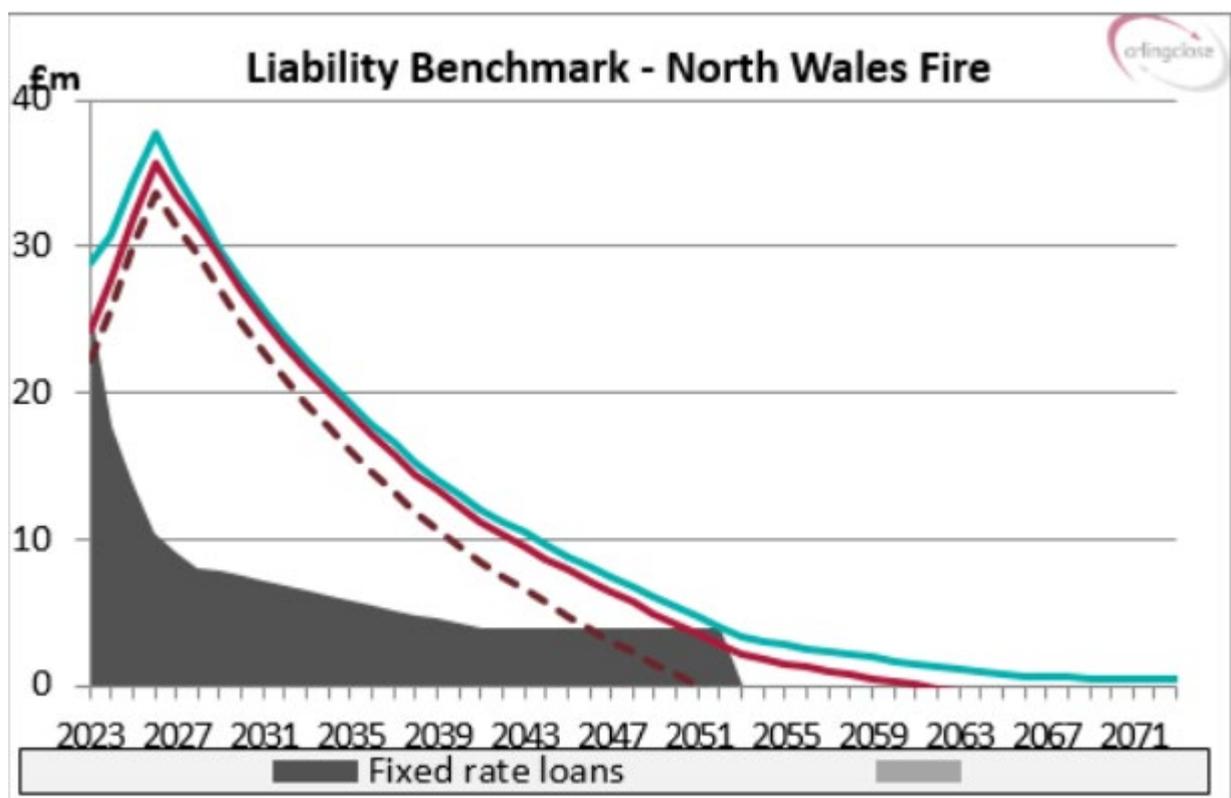
- 34 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Liability Benchmark

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

	31.3.23 Actual £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Loans CFR	28.88	32.42	34.50	37.70
Less: Balance sheet resources	-6.40	-5.00	-4.50	-4.00
Net loans requirement	22.48	27.42	30.00	33.70
Plus: Liquidity allowance	2.00	2.00	2.00	2.00
Liability benchmark	24.48	29.42	32.00	35.70
Existing borrowing	-26.65	-17.80	-14.10	-10.50

- 37 The above forecast does not include any costs for the proposed training centre, as it is yet to be agreed by the Authority.
- 38 The liability benchmark is a long-term measure of the underlying need to borrow for all purposes over the long term and is based on the current capital programme and other forecast cash flow movements. It is a tool to compare the current loans portfolio against the current and planned need to borrow, in terms of both the level and term of borrowing. It indicates whether long term borrowing is more appropriate.
- 39 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £4m - £6m between 2023/24 and 2025/26, minimum revenue provision on new capital expenditure based on the current asset lives, as per the accounting policy, income and expenditure increasing by inflation of [2.5]% p.a and a reduction in reserves. This is shown in the [chart below](#) together with the maturity profile of the Authority's existing borrowing.



- 40 The graph shows that the Authority is expecting to need to borrow in future years. The Authority will always have a borrowing requirement as it does not hold significant cash or reserves and only has limited access to capital grant funding.

- 41 The blue line represents the need to fund capital expenditure through borrowing (the Capital Financing Requirement or CFR). The red lines represent the need to fund capital expenditure through borrowing once reserves and working capital surplus' (or deficits) have been taken into account – this is actually the real need to borrow which CIPFA have defined as being the Liability Benchmark. The dashed red line represents the position at year end and the solid line represents the average mid-year position. The grey shaded areas show actual loans. When the grey area falls below the red lines this infers a borrowing need.

Maturity Structure of Borrowing

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

	30.9.23 Actual	Actual Limit	Upper Limit	Lower Limit	Complied Y/N
Under 12 months	3.78	17.03%	60.00%	0.00%	Y
12 months and within 24 months	2.48	11.17%	45.00%	0.00%	Y
24 months and within 5 years	8.40	37.84%	45.00%	0.00%	Y
5 years and within 10 years	0.68	3.06%	75.00%	0.00%	Y
10 years and above	6.86	30.90%	100.00%	0.00%	Y

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

Long-term Treasury Management Investments

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

IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objectives. Ensures that the purchase of assets to support front line service delivery is prudent, affordable and sustainable. Ensures there is sufficient investment in infrastructure to enable North Wales Fire and Rescue Service (the Service) to provide emergency responses and prevention work well in to the future.
Budget	Budget is set annually for capital financing in line with the Treasury report.
Legal	The regulatory framework is set out in paragraph 1.
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	Investment of surplus funds – there is a risk that the financial institution in which the Service's funds are invested could fail with a loss of part of the principal invested. However, one of the purposes of the report is to mitigate this risk.

Report to	North Wales Fire and Rescue Authority
Date	22 January 2024
Lead Officer	Gareth Owens, Clerk
Contact Officer	Gareth Owens (01745 535286)
Subject	Protocol on Gifts and Hospitality



PURPOSE OF REPORT

- 1 To seek Members' approval of the revised gifts and hospitality protocol.

EXECUTIVE SUMMARY

- 2 The hospitality protocol which applies all staff has been updated to put it into the new format for North Wales Fire and Rescue Authority (the Authority) policies i.e. one document each for policy and procedure. The content remains largely the same though obligations have been added to require:
 - a. employees to notify their line manager within 20 days of being offered/receiving a gift or hospitality above the value of £25;
 - b. registration of gifts received from the same source within a rolling 12-month period with an aggregate value over £100; and
 - c. that the register is checked at least once per year.

RECOMMENDATIONS

- 3 It is recommended that Members:
 - i) approve the gifts and hospitality policy and procedure.

OBSERVATIONS FROM THE EXECUTIVE PANEL/AUDIT COMMITTEE

- 4 This report was considered by the Standards Committee (the Committee) who made the following observations/suggestions:
 - a. The addition of the clause requiring registration of gifts with an aggregate value over £100;
 - b. That the register should be checked at least once per year; and
 - c. That officers should consider whether the requirements are the same for firefighters and, if not, whether that would be desirable.

BACKGROUND

- 5 The Authority has a protocol for employees on gifts and hospitality. Some years ago the threshold above which gifts and/or hospitality must be declared by councillors was raised to £25. That is the level that was recently agreed should be a common threshold across other authorities. The employees' code sets the same threshold.

INFORMATION

- 6 The protocol has recently been split into a separate policy and procedure to match the new format for authority policies. The content of the document has remained largely unchanged and, for the main part, all that has changed is the layout.
- 7 The protocol did not previously require an employee to notify their manager if a gift/hospitality was offered/accepted. This has been made explicit within the policy and procedure in order to ensure that there is transparency.
- 8 The Committee made a number of recommendations (reported above) all of which have been accepted. The draft code attached includes the clause on gifts totalling more than £100 from the same source, the register will be reported to Senior Leadership Team (SLT) once per year and the policy will apply to all staff including firefighters.

IMPLICATIONS

Wellbeing Objectives	Considered not relevant
Budget for 2023/24	Communicating any messages from the findings can be achieved within budget.
Legal	The Constitution makes the Committee responsible for reviewing the officer's protocol on receipt of gifts and hospitality.
Staffing	Considered not relevant
Equalities/Human Rights/ Welsh Language	It is not considered that there are any issues that need addressing as the recommendations apply equally to all Members regardless of protected characteristics under the Single Equality Act.
Risks	Considered not relevant