

AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU



NORTH WALES FIRE AND RESCUE AUTHORITY

A meeting of the **AUDIT COMMITTEE** will be held

MONDAY 16 SEPTEMBER 2024 at **09.30 hrs**

at **Fire and Rescue Headquarters, St Asaph** and **virtually via Zoom.**

Yours faithfully,
Gareth Owens
Clerk

AGENDA

1. Apologies

2. Declarations of Interest

3. Notice of Urgent Matters

Notice of items which, in the opinion of the Chairman, should be considered at the meeting as a matter of urgency pursuant to Section 100B (4) of the Local Government Act, 1972.

4. Minutes of the Meeting held on 17 June 2024

5. Matters Arising

6. Internal Audit Update

7. Treasury Management Update Q1 2024/25

8. Budget Scrutiny Working Group Update

9. Urgent Matters

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

PART II

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

10. None

NORTH WALES FIRE AND RESCUE AUTHORITY
AUDIT COMMITTEE

Minutes of the **Audit Committee** of the North Wales Fire and Rescue Authority held on Monday 17 June 2024 virtually via Zoom. Meeting commenced at 09.30hrs.

Councillor

Mark Young (Chair)
Gwynfor Owen (Deputy Chair)
Bryan Apsley
Tina Claydon
Sharon Doleman
John Brynmor Hughes
Gareth R Jones
Austin Roberts
Michelle Walker

Representing

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

Also present:

Dawn Docx (left 10:00)
Helen MacArthur
Dafydd Edwards
Helen Howard
Gareth Owens
Anne-marie Harrop
Angharad Ellis
Kate Havard
Kieran Vickery
George Jones
Lisa Allington

Chief Fire Officer
Assistant Chief Fire Officer
Treasurer
Head of Finance and Procurement
Monitoring Officer
Mersey Internal Audit Agency
Mersey Internal Audit Agency
Audit Wales
Audit Wales
Atebol - Translator
Executive Assistant – Note Taker

1.0 APOLOGIES

Councillor

Marion Bateman
Adele Davies-Cooke
Jeff Evans
Marc Jones
Beverley Parry-Jones

Representing

Flintshire County Council
Flintshire County Council
Anglesey County Council
Wrexham County Borough Council
Wrexham County Borough Council

ABSENT

Councillor

Arwyn Herald Roberts

Representing

Gwynedd Council

2.0 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest to record. A Member queried if a discussion around item 6 would be allowed whilst in the pre-election period and the Monitoring Officer confirmed that it was, providing there were no political statements made.

3.0 NOTICE OF URGENT MATTERS

3.1 There were no notices of urgent matters.

4.0 MINUTES OF THE MEETING HELD ON 18 MARCH 2024

4.1 The minutes of the meeting held on 18 March 2024 were submitted for approval.

4.2 RESOLVED to:

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

5.0 MATTERS ARISING

5.1 ACFO MacArthur provided apologies that there had been no progress with regards paragraph 15.1, meeting in a hybrid way and that she would ensure that this was put in place ready for the next Audit Committee meeting.

5.2 In respect to item 5.1, the Treasurer confirmed that he had spoken with Civil Servants in the Welsh Government and was expecting information on the Pensions Grant. With the election ongoing it was unlikely that a response would now be received until a new UK Government had been formed and the final figure agreed. It was expected that there would be a grant but the amount was as yet unknown. A residual financial risk remains but the approach taken during the budget setting process had minimised this risk.

6.0 GOVERNANCE ARRANGEMENTS FOR FIRE AND RESCUE SERVICES IN WALES

6.1 CFO Docx presented the paper on the Governance Arrangements for Fire and Rescue Services in Wales and highlighted recent communication to council leaders from the Welsh Government Cabinet Secretary with responsibility for fire. The paper also confirmed the recent publication of the Senedd's Equality and Social Justice Scrutiny Committee, "Sound the Alarm: Governance of Fire and Rescue Services", which considered the sector's governance arrangements.

- 6.2 These documents highlighted to Members of the North Wales Fire and Rescue Authority's (the Authority) the work being undertaken to consider issues relevant to the governance arrangements around the fire sector in Wales.
- 6.3 It was asked if the Audit Committee would be involved in any future work in the area of changes to governance and the CFO confirmed that the Cabinet Secretary intended to attend the Full Fire Authority meeting in July, and that this would be the opportunity for Members to ask any questions regards their involvement in the process.
- 6.4 A Member stated that he felt that they would be looking to implement a skills-based board of smaller numbers and that there seemed to be some benefit to this.
- 6.5 Another Member expressed some concern about moving away from a democratic model of Governance as this may result in less accountability at a local level. They felt that the current model placed a duty on the Council Leaders to select the right people to sit on the Authority.
- 6.6 One further Member stated that a reduction in the number of Members may not necessarily resolve the issue and that the problems in South Wales were not reflective of all Fire Services in Wales.
- 6.7 The CFO confirmed that there needed to be dialogue with Leaders in North Wales and that both she and the Chair would work through the Social Partnership Forum in order to ensure the Authority is able to put forward it's views on Governance to the Cabinet Secretary.
- 6.8 Some concern was expressed that the decision in Cardiff had been driven by the situation in the South, and that some of the ideas expressed by the Cabinet Secretary were not tenable.
- 6.9 The Treasurer noted that further to his experience of sitting in Council Cabinets and in National Park Authority meetings, as well as being involved in the Fire Authority, he was concerned about some suggestions in the national papers on Governance. He felt that the idea that CFOs could be generalists without FRS experience may reduce cost-effectiveness and that Council Cabinet members were busy with a portfolio, and would not be able to prioritise FRA duties.
- 6.10 He further stated that a precept would be a more transparent means of funding FRAs, provided that the majority of members were constituent LA councillors.

6.11 The Monitoring Officer gave some background as to how the Cabinet was formed at a local level and felt that there would be little time for a Cabinet member to be able to sit on the Authority.

6.12 RESOLVED to:

- i) note the work initiated by the Cabinet Secretary for Housing, Local Government and Planning with the South Wales Local Authorities; and**
- ii) note the second part of the report published by the Equality and Social Justice Committee's report setting out their opinions for change to the governance arrangements for Fire and Rescue Services in Wales.**

7.0 AUDIT WALES AUDIT PLAN 2024

7.1 Kate Havard and Kieran Vickery from Audit Wales were introduced to Members and the Audit Wales Audit Plan for 2024 was delivered. The purpose of this report was to confirm the 2024 Audit Plan which detailed the audit approach and work to be undertaken by Audit Wales as the Authority's statutory auditors. It was confirmed that this was now the final version.

7.2 ACFO MacArthur noted the revised timetable for the production and audit of the accounts, and advised that the Finance Department had been able to compile the draft accounts for 2023/24 by the end of May. Kate Harvard confirmed that although the revised deadline for the final accounts audit was the 30 November, every effort would be made to conclude the work in time for the Audit Committee in September 2024. Thanks were given to the Finance team for their hard work in closing the accounts a month ahead of schedule.

7.3 It was confirmed that the current Corporate Plan had expired as of 31 March 2024; however, the Community Risk Management plan, which had already been approved in draft form, was now out for consultation and would be brought before the Authority for ratification in the July meeting.

7.4 Kate Havard confirmed that clarification on what audit work would be carried out in relation the Local Government Measure 2009 would be provided at the next meeting of the Audit Committee.

7.5 The Treasurer noted that closing the accounts on time had been a heroic effort, and also gave thanks to the Finance Team for their hard work. He further noted his concern that not all auditing standards were as relevant to the public sector as the private sector. Audit Wales acknowledged this concern and confirmed that every effort was made to ensure that the approach was as relevant as possible whilst ensuring compliance with the relevant standards. Audit Wales also gave thanks to the Finance Team for closing the accounts a month early.

7.6 RESOLVED to:

- i) note the scope of the work undertaken by Audit Wales.**
- ii) Clarification on the work to be undertaken in relation to the Improvement Measure 2009 to be provided to a future meeting.**

8.0 INTERNAL AUDIT ANNUAL REPORT 2023/24

8.1 Angharad Ellis from the MIAA presented the Internal Audit Annual Report 2023/24 paper which noted that, under the terms of the Accounts and Audit (Wales) Regulations 2014 Part 3 5. (2), the Authority was required annually to conduct a review of the effectiveness of its system of Internal Control.

8.2 ACFO MacArthur noted that this had been the first year of the Authority's work with MIAA and felt that the findings were proportionate and appropriate. Thanks were given to the MIAA Audit team for their efforts.

8.3 A Member noted that the only high-risk area was cyber security and MIAA confirmed that this was not specific to North Wales. ACFO MacArthur noted that this was a common risk across the public sector, that it was closely monitored within the Service, and that a plan of action was in place in order to address the recommendation in this area from MIAA.

8.4 RESOLVED to:

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

9.0 INTERNAL AUDIT UPDATE

9.1 Angharad Ellis from MIAA delivered the Internal Audit Update paper, the purpose of which was to provide Members with an update of the work undertaken by the Authority's internal audit providers, MIAA, for the 2023/24 financial year and for the period to 31 May 2024.

9.2 RESOLVED to:

- i) note the work undertaken by MIAA during 2023/24; and**
- ii) note the progress made in implementing the 21 agreed recommendations.**

10.0 TREASURY MANAGEMENT OUTTURN REPORT 2023/24

- 10.1 Dafydd Edwards, Authority Treasurer, presented to Members the Treasury Management Outturn Report 2023/24, an update on the treasury management activity and compliance with the treasury management prudential indicators for the period 1 April 2023 – 31 March 2024.
- 10.2 Regarding the economic context, the Treasurer predicted that UK CPI figures to be announced on 17 June would meet the 2% target, and while the Bank of England were unlikely to reduce interest rates on 18 June, an interest rate cut is expected before long.
- 10.3 Members were advised that Helen Howard, Head of Finance and Procurement, would be leaving the Service at the end of June 2024 and thanks were given to her for all of her help, support and hard-work over the years. Members and officers wished her all the best for the future.
- 10.4 A Member asked if a long-term loan could be paid back over a shorter period of time in order to save in interest, and the Treasurer responded that the redemption premium would be too high to make this a viable option; however, this would be monitored by officers and if there were the opportunity to do this in the future, it would be looked into.

10.5 RESOLVED to:

- i) approve the treasury management activities and prudential indicators for the period 1 April 2023 – 31 March 2024;**

15.0 URGENT MATTERS

- 15.1 There were no urgent matters to discuss.

ACFO MacArthur advised Members that the Members Budget Scrutiny Working Group held in the previous financial year had been a prime opportunity to engage Members with the budget setting process and had been really beneficial. These meetings would continue across the next six-months and Members were asked if they felt the membership of the group should be extended. It currently sat at one Member per Local Authority.

Members confirmed that the membership as it stood was acceptable and confirmed that they were happy for it to proceed on that basis, and that the Chair of the Audit Committee continue to chair the Budget Scrutiny Working Group.

Meeting closed 10.46 hrs

Report to	Audit Committee
Date	16 September 2024
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer (Finance and Resources)
Contact Officer	Angharad Ellis (MIAA)
Subject	Internal Audit Update



PURPOSE OF REPORT

- 1 The purpose of this report is to provide to Members with an update of the work undertaken by the Authority's internal audit providers, MIAA, for the 2024/25 financial year to date.

EXECUTIVE SUMMARY

- 2 The Authority is required to put arrangements in place for the audit of systems of control. MIAA was appointed in June 2023 to provide internal audit services to the Authority.
- 3 The report contained within Appendix 1 provides an update of the work undertaken during the 2024/25 financial year to 31st August 2024 against the agreed internal audit plan.
- 4 Approval is also sought for a change to the Internal Audit Plan for 2024/25 to include a review of the Training Strategy Implementation Plan.

RECOMMENDATIONS

- 5 It is recommended that Members:
 - i. Note the work undertaken by MIAA during 2024/25; and
 - ii. Approve the management request to include a review of the Training Strategy Implementation Plan within the 2024/25 programme of work.

BACKGROUND

- 6 The Accounts and Audit (Wales) Regulations 2014 (the Regulations) require the Authority to make proper and effective arrangements for systems of internal control. This includes the arrangements for the

management of risk and adequate and effective financial management.

- 7 The Regulations also require an adequate and effective internal audit of the systems of internal control, the findings of which must be reported to Statement of Internal Control annually.
- 8 The Authority appointed MIAA as its internal auditor at the Audit Committee meeting of the 18th June 2023. The Audit Plan was approved by the Audit Committee at its meeting of 18th March 2024.

INFORMATION

- 9 The report contained within Appendix 1 provides an overview of the work undertaken during 2024/25 financial year to 31st August 2024. This confirms that all work is progressing in accordance with the plan.
- 10 The review of the Procurement System has confirmed substantial assurance with a total of three recommendations made for further improvements. The detailed report relating to this audit is provided within Appendix 2.
- 11 The report also highlights a request to change the audit plan in respect of the non-financial systems. The initial plan included a review of the wholetime rostering system but due to delays in implementing a new system a request has been made for this to be deferred into a future plan. In consultation with management it is requested that the inclusion of the Training Strategy Implementation Plan is endorsed.

Wellbeing Objectives	The operation of financial systems that are properly controlled supports the delivery of the well-being objectives and longer term sustainability of services.
Budget	Assurance on the existence and operation of internal controls supports the effective budget setting process.
Legal	An effective internal audit arrangement is a requirement of the Accounts and Audit (Wales) 2014 Regulations
Staffing	The review of key financial systems including payroll provide assurance that controls are present and that payments are in accordance with agreed policies and procedures.
Equalities/ Human Rights/ Welsh Language	The engagement lead with MIAA is bi-lingual and reports will be subject to normal translation processes.
Risks	The internal audit of core financial processes supports the effective identification and management of risks.

North Wales Fire and Rescue Service

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1 Introduction

2 Key Messages for Audit Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

Appendix C: Assurance Definitions and Risk Classifications

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Executive Summary

This report provides an update to the Audit Committee in respect of the progress made in against the Internal Audit Plan for 2024/25 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

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

This progress report covers the period 1st June 2024 to 31st August 2024.

3 Executive Summary

2024/25 Audit Reviews

The following reviews have been finalised:

- Procurement (Substantial Assurance)

Overall, the review identified that controls were designed and operating effectively, noting some areas of improvement. MIAA testing of a sample of purchase orders and contracts identified that procurement activity had been supported by purchase orders and contracts for goods and services in line with financial procedures and that these had been approved in line with the current Scheme of Financial Delegation (SoFD) and authorisation limits set up within the finance processing system. However, our review identified a number of areas to further improve the control environment in place. These related to the enhancement of the contract register to assist in the monitoring of contracts, retention of documentation to support the review of contract validation and the automation of contract authorisation.

The full report has been included separately in the Audit Committee papers.

The following reviews are in progress:

- Training Strategy Implementation Plan (Planning)
- Attendance at Budget Scrutiny meetings (when required)

Follow Up

Our follow up work is in progress.

Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.

- The Executive Team has requested that the Whole Time Rostering/Duty System review be removed and replaced with a review of the Training Strategy Implementation Plan.

Public Sector Internal Audit Standards

In January the Institute of Internal Auditors issued revised Global Internal Audit Standards (GIAS).

The Relevant Internal Audit Standard Setters (RIASS) for the UK Public Sector have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.

The implementation date for the new standards in the UK public sector will be 1st April 2025. Until then, the existing Public Sector Internal Audit Standards will continue to apply.

When the IASAB issues material for application in the UK public sector MIAA will review this and amend our processes if required to continue to ensure full compliance with standards.

The latest updates from the IASAB can be accessed via the following link: <https://www.iasab.org/latest-news>

Added Value

Events



- [How to Lead in a Hybrid World \(16th October 2024\)](#): It has been suggested that the number 1 challenge for people working in this way is the "Lack of casual conversations. This Masterclass explore the ways in which organisations can help generate team spirit and culture?" support leaders to effectively lead a team with people who aren't in the room?
- [Evidence Based Working \(22nd November 2024\)](#): How Can a Better Evidence-Based Approach Support Local Government to Meet its Challenges? Rob Brinan, a Professor of Organizational Psychology in the School of Business and Management. will be joining us to explore what we know in relation to how local government responds to situations, and how a more evidence based approach may improve practice.

Events are free to all clients and bookings can be made by clicking on the above link or via our website www.miaa.nhs.uk and click on Events.

Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

The table summarises the delivery of your Head of Internal Audit Opinion for 2024/25:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Risk Management		Q4 delivery		March 2025
Training Strategy Implementation Plan		Planning		December 2024
Key Financial Systems		Q3 delivery		March 2025
Procurement		Completed	Substantial	September 2024
Attendance at Budget Scrutiny meetings	N/A	As required		N/A
Follow Up				
Q1	N/A	Completed	N/A	June 2024
Q4	N/A	Q4 delivery		June 2025

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

Appendix B: Performance Indicators

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

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	No issues to report
Issue a Client Satisfaction Questionnaire following completion of every audit.	Every Final report includes a questionnaire for client feedback	Green	
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	
Percentage of recommendations which are implemented	Follow Up will be reported twice per year	Green	
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix C: Assurance Definitions and Risk Classifications

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

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

Limitations

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

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

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

Anne-marie Harrop

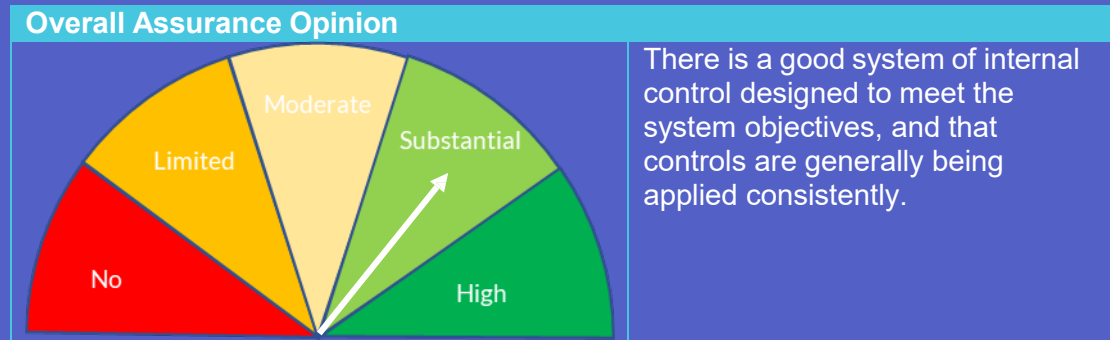
Angharad Ellis

Procurement Review

Assignment Report 2024/25 (Final)

North Wales Fire & Rescue Service

304NWFRS_2425_008



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1 Executive Summary

2 Findings and Management Action

Appendix A: Detailed Findings

Appendix B: Engagement Scope

Appendix C: Assurance Definitions and Risk Classifications

Appendix D: Report Distribution

MIAA would like to thank all staff for their co-operation and assistance in completing this review.

This report has been prepared as commissioned by the organisation and is for your sole use. If you have any queries regarding this review, please contact the Engagement Manager. To discuss any other issues then please contact the Director.

1 Executive Summary

Overall Audit Objective: The overall audit objective was to evaluate the effectiveness of the procurement processes in place including the use of tenders and waivers.

Scope Limitation: The scope of this review focused on the objectives described in Appendix B and was limited to the controls in operation at the organisation.

Key Findings/Conclusion

Overall, the review identified that controls were designed and operating effectively, noting some areas of improvement. The main areas of good practice related to the policies and procedures in place in relation to procurement and these were found to be in accordance with regulatory requirements.

MIAA testing of a sample of purchase orders and contracts identified that procurement activity had been supported by purchase orders and contracts for goods and services in line with financial procedures and that these had been approved in line with the current Scheme of Financial Delegation (SoFD) and authorisation limits set up within the finance processing system.

However, our review identified a number of areas to further improve the control environment in place. These related to the enhancement of the contract register to assist in the monitoring of contracts, retention of documentation to support the review of contract validation and the automation of contract authorisation.

Objectives Reviewed	RAG Rating
Policies and Procedures	Green
Orders and Approvals	Green
Contracts and Monitoring	Amber
Contracts Register / Database	Amber
Tendering Processes	Amber
Tender Waivers	Green
Overall Assurance Rating	Substantial

Recommendations		
Risk Rating	Control Design	Operating Effectiveness
Critical	0	0
High	0	0
Medium	0	2
Low	1	0
Total	1	2

Areas of Good Practice

- The Service has a number of policies and procedures in place covering the required procurement processes to be followed which were found to be in date and available to all staff on the Hwb Tân intranet site and external website.
- Audit testing confirmed that orders and contracts have been raised for goods and services in line with financial procedures and have been approved in line with the Scheme of Financial Delegation (SoFD).
- Authorisation limits for purchase orders have been set up within the approval hierarchy which is maintained within the finance processing system Technology One (TechOne) which ensures adequate segregation of duties between the requisitioner and the approver.
- The Service has developed adequate validation checks for new contracts as part of the tendering process.
- Where tendering requirements have been waived, there was robust audit trails in place to confirm that a transparent decision-making process had been followed which had been appropriately authorised and reported.

Key Findings – Issues Identified

Medium

- 1.1 Audit review of the contracts register identified that, whilst the contract start and end dates had been recorded, there was no record of when or how frequently the contract should be reviewed and monitored, or the forum in which this should take place.
- 1.2 Testing of a sample of 10 contracts and tenders highlighted that for one contract evidence was not available to confirm that appropriate validation checks had been completed and that the tender process had been undertaken in line with the Contract Procedure rules procedure. In addition, we could not confirm whether the supplier had been monitored to ensure quality in their goods or services provided.

Low

- 1.3 It was noted that all procurement activity requiring a purchase order is undertaken using TechOne. However, at the time of the review the process for the authorisation of contracts was very much reliant on a manual register and as a result, non-automated authorisation controls.

2 Findings and Management Action

1. Contracts register and monitoring		Risk Rating: Medium
Operating Effectiveness		
<p>Key Finding – Audit review of the contracts register identified that, whilst the contract start and end dates had been recorded, there was no record of when or how frequently the contract should be reviewed and monitored, or the forum in which this should take place.</p>	<p>Specific Risk – Contracts may not be subject to appropriate monitoring or review.</p>	<p>Recommendation – The contracts register should be updated to include the review date and the forum at which the contract should be reviewed and monitored.</p>
<p>Management Response - Work is on-going to develop the Contracts and Sourcing modules within the Financials System (TechOne) and this is something we can implement within the system. This will trigger review dates and alert the contract lead & Procurement and Contracts Manager that a review is due.</p> <p>The Procurement and Contracts Manager currently meets with departments on regular intervals and has developed a procurement pipeline which does include review dates. The contracts register and pipeline register will be maintained until we have the Contracts and Sourcing Modules fully operational.</p> <p>Responsible Officer – Procurement and Contracts Manager / Department Heads</p> <p>Implementation Date – April 2025</p>		<p>Evidence to confirm implementation – Updated contracts register</p>

2. Validation processes		Risk Rating: Medium
Operating Effectiveness		
<p>Key Finding – Testing of a sample of 10 contracts and tenders highlighted that for one contract evidence was not available to confirm that appropriate validation checks had been completed and that the tender process had been undertaken in line with the Contract Procedure rules procedure. In addition, we could not confirm whether the supplier had been monitored to ensure quality in their goods or services provided.</p>	<p>Specific Risk – Inappropriate suppliers are being used with risks to the reputation of the Service.</p> <p>Lack of compliance with documented and approved procedures, breaching best practice and failure to achieve best value.</p>	<p>Recommendation – The Service should ensure that the following is held centrally for all contracts:</p> <ul style="list-style-type: none"> • Evidence of contract validation checks undertaken; • Evidence of the tender process followed; and, • Evidence of the monitoring arrangements undertaken of the suppliers to ensure quality in their goods and services provided.
<p>Management Response - Historical contracts have been undertaken by the Procurement team at North Wales Police (via SLA). Now that NWFRS has a dedicated officer and procurement processes are now run in house, contracts will not progress until all documentation/evidence has been completed, and all processes correctly followed. This is particularly important with the upcoming change in regulation.</p> <p>The Procurement and Contracts Manager will continue to work with NWP to ensure NWFRS has access to appropriate records (handover still in progress).</p> <p>The Procurement and Contracts Manager will support contract managers to monitor and review contracts (previously no arrangements in place)</p> <p>Responsible Officer – Procurements and Contracts Manager / Head of Finance and Procurement</p> <p>Implementation Date – December 2024</p>		<p>Evidence to confirm implementation – Evidence of the contract validation checks, tender process and monitoring arrangements.</p>

3. Manual process for contracts		Risk Rating: Low
Control Design		
<p>Key Finding – It was noted that all procurement activity requiring a purchase order is undertaken using TechOne. However, at the time of the review the process for the authorisation of contracts was very much reliant on a manual register and as a result, non-automated authorisation controls.</p>	<p>Specific Risk – Lack of automated compliance checks may result in non-compliance being missed.</p>	<p>Recommendation - The lack of automated authorisation control for contract procurement expenditure should be reviewed with a view to incorporating contracts into TechOne.</p>
<p>Management Response - Work is on-going to develop the Contracts and Sourcing modules within the Financials System (TechOne), however there is no proposed change to the authorisations/scheme of delegation. Until this is developed, tested, and implemented, NWFRS will continue to utilise the current spreadsheet to monitor procurement activity.</p> <p>Now that NWFRS has a dedicated officer, contracts will not progress until all documentation/evidence has been completed and approved by the appropriate officer. The Procurement and Contracts Manager will continue to support departments fully through the whole procurement process.</p> <p>Responsible Officer – Procurement and Contracts Manager / Deputy Head of Finance and Procurement</p> <p>Implementation Date – April 2025</p>		<p>Evidence to confirm implementation – TechOne.</p>

Appendix A - Detailed Findings

Objective One: Policies and Procedures

Our review found that policies and procedures were in place in relation to procurement. These included the Contract Procedure rules dated November 2021 (which were due for review in November 2024) and Financial Regulations dated March 2022 (which were due for review in March 2025).

The Standing Financial Instruction's (SFI's) and Scheme of Financial and Delegation (SoFD) which were updated in March 2023, also provided guidance relating to procurement, tenders and waivers. Standing Financial Regulations (SFRs) were in place which set out the respective roles and responsibilities of staff. This was supported by an employee approval hierarchy which is maintained within TechOne to ensure that authorisation limits are complied with for purchase orders.

The policies and procedures of the Service were found to be compliant with the EU Procurement Directives. MIAA review confirmed that the procurement related policies and procedures were made available to all staff on the Hwb Tân intranet site and external website.

An annual report is provided to the Audit Committee with details of conformance with the Service's Financial Regulations for 2023/24. MIAA review of the 2023/24 report presented in June 2024 highlighted that the report provided an appropriate update to the Audit Committee on procurement regulatory compliance including details of the approved and rejected waivers in year. It was also noted that the Financial Conformance Report 2023/24 had also been reported to the Budget Monitoring and Performance Committee prior to this.

Objective Two: Orders and Approvals

MIAA review confirmed procurement activity requiring a purchase order is undertaken using the TechOne system which includes system user hierarchy authorisation limits and automated approval as part of user responsibility for purchase order control.

MIAA review of a sample of 10 purchase orders for goods and services raised since April 2023 highlighted that in all cases, approval had been provided as per the SoFD and TechOne authorisation limits, with adequate segregation of duties in place.

Objective Three: Contracts and Monitoring

It was identified that validation checks are undertaken on new contracts as part of the tendering process and that suppliers are reviewed to confirm quality of their goods and services.

It was noted that all procurement activity requiring a purchase order is undertaken using TechOne. However, at the time of the review the process for the authorisation of contracts was reliant on a manual register and non-automated authorisation controls. **(Low Risk Recommendation 3)**

It is also recommended that the contract register is enhanced to support the Service in its validation and monitoring of new contracts (see further details below). **(Medium Risk Recommendation 1)**

Objective Four: Contracts Register/Database

MIAA review evidenced a current (as of June 2024) contracts register is in place which captures current contracts in place identifying the total budget, annual costs, contract length and start and finish contract term dates.

The contracts register details the type of tender process that has been followed e.g. for Framework contracts which allows a call off order or where a mini tender exercise has been undertaken in accordance with the

terms of the agreement. However, it is recommended that the contracts register should be enhanced to include the review date and the forum at which the contract should be reviewed and monitored. **(Medium Risk Recommendation 1)**

MIAA review of a sample of 10 contracts following a tender exercise found that in one case the contract was not available for review to ensure that appropriate validation checks had been undertaken on the contract and that the supplier had been monitored for the quality of their goods and services. **(Medium Risk Recommendation 2)**

Objective Five: Tendering processes

The Service has an up-to-date procedure (included in the Contract Procedure rules procedure) which is required to be followed for all tenders. We found that a business planning process is required to be followed before undertaking a procurement exercise. This process includes the appropriate scoping of goods/service requirements, ensuring that there was an approved budget for such expenditure and the route to market was compliant with the procedure rules.

MIAA testing of a sample of 10 tenders highlighted in 9 cases there was evidence available to specify the nature and/or quantity of goods, work or services required and any contract or agreed prices. In these 9 cases, relevant quotes/estimates had been uploaded to the purchasing system detailing the contract or framework reference and all had a budget limit agreed. In these cases we confirmed that the tendering processes complied with the SoFD and other regulations. **See Medium Risk Recommendation 2** for the remaining case where we were unable to confirm whether a formal tender process had been followed.

MIAA review noted that the tendering processes complied with the SoFD, Financial procedures and other regulations and, where applicable, appropriate evidence had been retained to demonstrate compliance.

Objective Six: Tender waivers

The Contract Procedure rules allow for Contracts (other than those specified) to seek an exemption (tender waiver) from applying the contract procedure rules in exceptional circumstances.

MIAA review of a sample of tender waivers (undertaken in 2023/24) highlighted where tendering requirements had been waived, there was a full audit trail in place that demonstrated a transparent decision-making process detailing the reason for waiver.

The sampled waivers (totaling £656,971) evidenced that each had been appropriately authorised (by the Head of Finance & Procurement or the Assistant Chief Fire Officer- Finance and Procurement) as per the SoFD.

During the review it was noted that there was a minimal number of tender waivers completed by the Service, with 7 approved tender waivers during 2023/24 with a contract value totaling £742,562.

MIAA review of papers identified that tender waivers have been reported to the Audit Committee in June 2024 as part of a wider Financial Conformance Report (full year 2023-24) which is provided on an annual basis.

The use of tender waivers is overseen by the Budget Monitoring and Performance Committee, which meet on a quarterly basis. A waiver process compliance update is provided as part of the financial regulations (procurement procedure) conformance report. At the May 2024 meeting, data related to Quarter 1 (April to June) of 2024/25 had been reported and discussed.

Appendix B: Engagement Scope

Scope

The overall objective was to evaluate the effectiveness of the procurement processes in place including the use of tenders and waivers.

The following sub-objectives were considered:

- The effectiveness of the procurement Policies and Procedures which ensure compliance with the EU and other requirements and sound practices. Policy and guidance is made available to all appropriate staff.
- Orders are raised for all goods and services in line with financial procedures and are approved in line with the Scheme of Financial Delegation and authorisation limits.
- Appropriate validation checks are undertaken on new contracts and suppliers are monitored for the quality of their goods and services.
- A robust Contracts register/database is in place which captures all contracts in place identifying the review date of contracts.
- Tendering processes comply with the SoFD, Financial procedures and other regulations and, where applicable, appropriate evidence is retained to demonstrate compliance.
- Where tendering requirements have been waived, there is a full audit trail in place that demonstrates a transparent decision-making process which has been appropriately authorised and reported.

The limitations to scope are as follows: The scope of this review focused on the objectives described in Appendix B and was limited to the controls in operation at the organisation.

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

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

Appendix C: Assurance Definitions and Risk Classifications

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

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

Appendix D: Report Distribution

Name	Title
Helen Howard	Head of Finance and Procurement
Helen MacArthur	Assistant Chief Fire Officer
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Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Report to	Audit Committee	
Date	16 September 2024	
Lead Officer	Helen MacArthur – Assistant Chief Fire Officer	
Contact Officer	Helen Howard	
Subject	Treasury Management Report Q1 2024/25	

PURPOSE OF REPORT

- 1 The purpose of this report is to provide members with an update on the treasury management activity and compliance with the treasury management prudential indicators for the period 1st April 2024 – 30th June 2024.

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 2024/25 was approved at a meeting on 18 March 2024. 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.

RECOMMENDATIONS

- 5 Members are asked to:
 - i. note the treasury management activities and prudential indicators for the period 1st April – 30 June 2024.

EXTERNAL CONTEXT

- 6 UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2% in May, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubbornly services price inflation at 5.7% in May, helped contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.
- 7 The Bank of England's Monetary Policy Committee voted in June 2024 to maintain the Bank Rate at 5.25%.
- 8 On 31st July the Base Rate was reduced by .25% to 5%. Interest rates are expected to fall further during the second quarter of 2024 and 2025. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up later in the year and as services price inflation and wage growth are still on the firmer side, the MPC could delay further reductions.

LOCAL CONTEXT

- 9 On 31st March 2024, the Authority had net borrowing of £14.82m arising from capital expenditure.
- 10 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.
- 11 Table 1 confirms that the Authority's net borrowings were below the Capital Financing Requirement (CFR).

Table 1: Balance Sheet Summary

	31.03.24 Actual £m	30.06.24 Actual £m
General Fund CFR	27.94	28.08
External borrowing	-17.78	-17.76
Internal borrowing	10.16	10.32
Less: Balance sheet resources	-13.13	-13.57
Less: New Investments	2.97	3.25
New borrowing	0.00	0.00

- 12 The treasury management position at 30th June and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	30.6.24 Balance £m	30.6.24 Rate %
Long-term borrowing (PWLB)	14.07	0	14.07	1.00 - 4.90
Short-term borrowing	3.71	-0.02	3.69	1.30 - 3.91
Total borrowing	17.78	-0.02	17.76	
Short-term investments	-1.48	1.48	0.00	5.19-5.38
Cash and cash equivalents	-1.48	-1.77	-3.25	4.65- 5.14
Total investments	-2.96	-0.29	-3.25	
Net borrowing	14.82	-0.31	14.51	

BORROWING

- 13 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.
- 14 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

- 15 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.
- 16 Whilst the cost of short-term borrowing from the other local authorities spiked to around 7% in late March 2024, primarily due to a dearth of LA-LA lending/borrowing activity during the month, as expected shorter term rates reverted to a more normal range and were generally around 5.25% through the quarter.
- 17 The PWLB certainty rate for 10-year maturity loans was 4.8% at the beginning of the quarter and 4.96% at the end. The lowest available 10-year maturity rate during the quarter was 4.80% and the highest was 5.18%. Rates for 20-

year maturity loans ranged from 5.24% to 5.57% during the quarter, and 50-year maturity loans from 5.06% to 5.40%.

- 18 At 30th June the Authority held £17.76m of loans, a decrease of £0.02m on 31st March 2024, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans, on 30th June are summarised in Table 3A below.

Table 3A: Borrowing Position

	31.3.24 Balance £m	Net Movement £m	30.6.24 Balance £m	30.6.24 Weighted Average Rate %	30.6.24 Weighted Average Maturity (years)
Public Works Loan Board	17.78	-0.02	17.76	2.76	5.98
Local authorities (short-term)	0.00	0.00	0.00	0.00	0.00
Total borrowing	17.78	-0.02	17.76		

- 19 The Authority replaced its short-term borrowings in 2023/24 and as at 31 March 2024 no longer held short term loans.

Table 3B: Long-dated Loans borrowed

	Amount £m	Rate %	Period (Years)
PWLB Maturity Loan	2.00	4.80	28
PWLB EIP Loan	0.65	3.09	13
PWLB EIP Loan	4.72	3.91	17
Total borrowing	7.37		

- 20 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.
- 21 During 2023/24, two short-term market loans totalling £6m were repaid. £3m was replaced with a long term PWLB loan, which was taken out in 2022/23, following advice from Arlingclose, our treasury management advisors, and undertaken when interest rates were favourable and £3m was funded from internal borrowing, due to the delay in the land purchase for the proposed training centre, thus delaying the need to borrow until the land purchase is complete.

TREASURY INVESTMENT ACTIVITY

- 22 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 23 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the quarter, the Authority's investment balances ranged between £2.96m and £3.25m. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.24	Q1	31.6.24	30.6.24	30.6.24
	Balance	Net	Balance	Income	Weighted
	£m	Movement	£m	Return	Average
		£m		%	Maturity
					days
Banks & building societies	1.48	1.77	3.25	4.65-5.14	on call
Central Government	1.48	-1.48	0.00	5.19	7
Total investments	2.96	0.29	3.25		

- 24 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 25 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.
- 26 Bank Rates remained at 5.25% through the quarter with short term interest rates largely being around this level. The rates on DMADF deposits during the quarter were 5.19%.

COMPLIANCE

- 27 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. The Service hold two call accounts that are used to place short term deposits, with Lloyds Bank and Barclays Bank. The interest rates being offered on treasury

deposits was significantly higher with Lloyds Bank and therefore in order to obtain the best return all deposits have been placed with them.

- 28 To help mitigate this in future, the Service applied for a Debt Management Office Account, as the Treasury Management Strategy allows for unlimited funds to be placed with the DMO.
- 29 Compliance with specific investment limits is demonstrated in table 5 below.

Table 5: Investment Limits

Institution	Description	Limit	30.06.24 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	£3.25m	yes
Central Government	Debt Management Office (DMO)	Unlimited	0	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

- 30 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 6 below.

Table 6: Debt and the Authorised Limit and Operational Boundary

	30.6.24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
Borrowing	17.76	28.99	30.99	Yes
Total debt	17.76	28.99	30.99	

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

TREASURY MANAGEMENT INDICATORS

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

Liability Benchmark

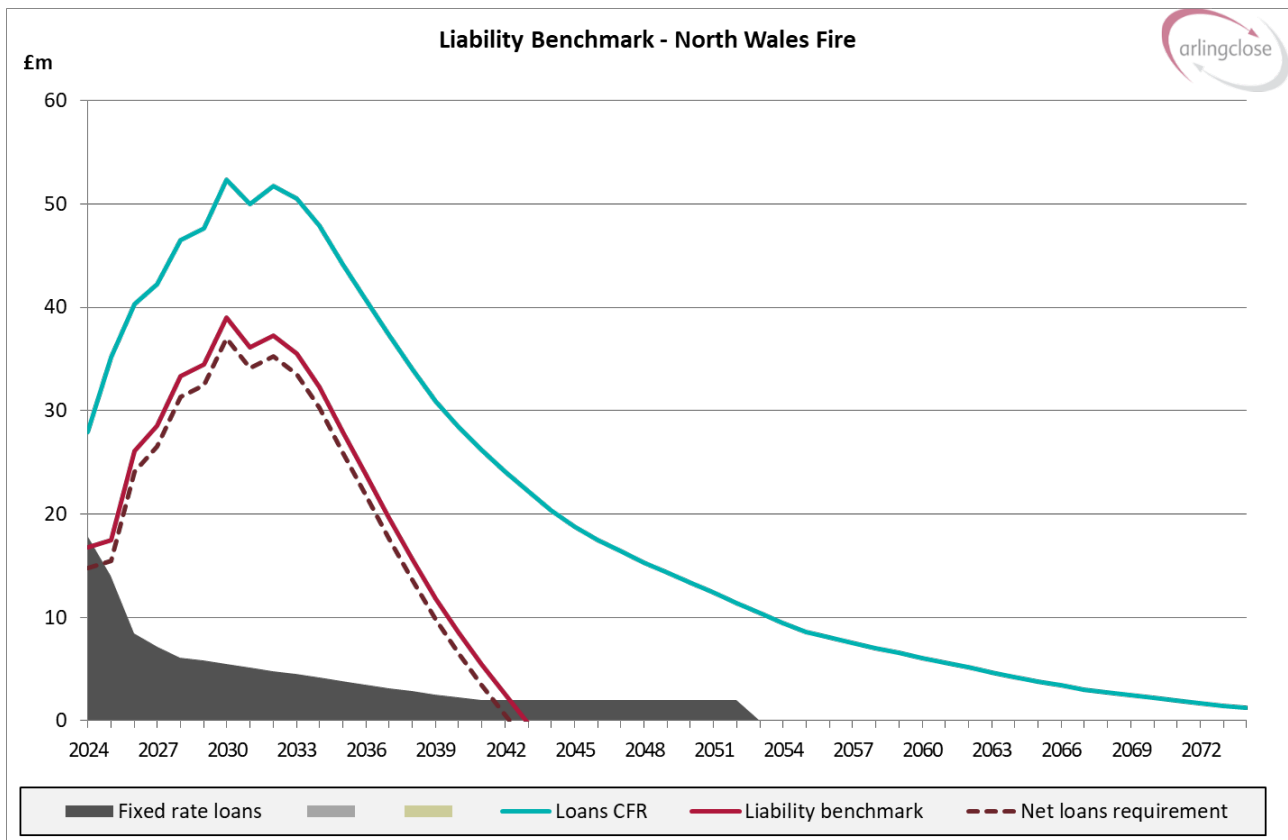
33 This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making.

34 The indicator represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £2.0m required to manage day-to-day cash flow.

	31.3.24 Actual £m	30.06.24 Actual £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Loans CFR	27.94	28.08	35.10	40.30
Less: Balance sheet resources	-13.12	-13.57	-19.70	-16.20
Net loans requirement	14.82	14.51	15.40	24.10
Plus: Liquidity allowance	2.00	2.00	2.00	2.00
Liability benchmark	16.82	16.51	17.40	26.10
Existing borrowing	-17.78	-17.76	-14.10	-8.50

35 The above forecast does not include any costs for the proposed training centre, as this is yet to be agreed by the Authority.

36 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.



- 37 The graph shows the authority is expecting to need to borrow in future years. The Authority will always have a borrowing requirement as it does not hold significant cash or reserves and only has limited access to capital grant funding.
- 38 The blue line represents the need to fund capital expenditure through borrowing (the Capital Financing Requirement or CFR). The red lines represent the need to fund capital expenditure through borrowing once reserves and working capital surplus' (or deficits) have been taken into account – this is actually the real need to borrow which CIPFA have defined as being the Liability Benchmark. The dashed red line represents the position at year end and the solid line represents the average mid-year position. The grey shaded areas show actual loans. When the grey area falls below the red lines this infers a borrowing need.

Maturity Structure of Borrowing

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

	30.6.24 Actual	Actual Limit	Upper Limit	Lower Limit	Complied Y/N
Under 12 months	2.20	12.39%	60.00%	0.00%	Y
12 months and within 24 months	4.49	25.28%	45.00%	0.00%	Y
24 months and within 5 years	3.70	20.83%	45.00%	0.00%	Y
5 years and within 10 years		0.00%	75.00%	0.00%	Y
10 years and above	7.37	41.50%	100.00%	0.00%	Y

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

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

IMPLICATIONS

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

Report to	Audit Committee
Date	16 September 2024
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer (Finance and Resources)
Contact Officer	Helen MacArthur
Subject	Budget Scrutiny Working Group



PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members with an update on the work of the Budget Scrutiny Working Group.

EXECUTIVE SUMMARY

- 2 The Authority is required to set a balanced revenue budget which must be approved by the full Authority before the commencement of the financial year. Although the term "balanced" is not formally defined in the legislation, the Chartered Institute of Public Finance (CIPFA) recognises that organisations should have financial plans which demonstrate how expenditure will be funded over the short and medium term.
- 3 The Audit Committee's role includes scrutiny of financial aspects of the Authority's business and this is discharged through a member led Budget Scrutiny Working Group established in 2023.
- 4 The Budget Scrutiny Working Group is scheduled to meet on six occasions between June 2024 and December 2024.
- 5 This report confirms the forward work plan of the Budget Scrutiny Working Group and the work undertaken as at 31st August 2024.

RECOMMENDATIONS

- 6 It is recommended that Members:
 - i. Note the terms of reference of the Budget Scrutiny Working Group;
 - ii. Note the meeting dates and forward work plan for 2024; and
 - iii. Note the work undertaken as at 31st August 2024.

BACKGROUND

- 7 The Authority is required to set a balanced revenue budget which must be approved by the full Authority before the commencement of the financial year. Although the term “balanced” is not formally defined in the legislation, the Chartered Institute of Public Finance (CIPFA) recognises that organisations should have financial plans which demonstrate how expenditure will be funded over the short and medium term.
- 8 The Authority’s financial sustainability in the short, medium and longer term is underpinned by knowledge and understanding of key cost drivers including the evaluation of risks and uncertainties. Pivotal to this is an understanding of service demands, resources available and the future strategic vision.
- 9 The Authority’s revenue budget is set in January of each year which confirms the levy for each constituent local authority. The statutory deadline for confirming the levy is 15 February each year.
- 10 The Budget Scrutiny Working Group plays a pivotal role in scrutinising the Authority’s budget setting process including scrutiny of the elements of income and expenditure.

INFORMATION

- 11 The first meeting of the 2024 Budget Scrutiny Working Group took place on 24 June 2024 with Cllr Mark Young as the chair. The membership includes representation from all local authorities. It was noted that cost pressures and financial challenges require that Members of the North Wales Fire and Rescue Authority are assured that all reasonable steps have been taken to understand the cost drivers and that the future budget proposals are considered reasonable. During this meeting the Terms of Reference were approved which are set out in Appendix 1.
- 12 At the meeting in June 2024, Members also confirmed the meeting dates and the forward work plan to enable sufficient scrutiny of key elements of income and expenditure prior to the budget proposals being submitted to the Fire and Rescue Authority in January 2025.
- 13 In addition to its role in scrutinising the budget setting process, Members also received a report in relation to conformance with financial processes. A particular focus was on the arrangements for ensuring the use of purchase orders to confirm financial commitments. This process underpins the financial monitoring and supports good governance. Members acknowledged the work being undertaken to improve

compliance and supported the “no purchase order, no payment” approach ensuring that payments will only be made with a valid purchase order.

- 14 The most recent meeting of the Budget Scrutiny Working Group took place on 20 August 2024 with briefings in relation to payroll costs, contamination risks, environmental matters and training provision being provided by officers.
- 15 The payroll briefing provided an overview of the current establishment levels, noting that vacancies were being experienced in relation to both retained and whole-time roles as well as corporate service staff. Members noted that the 2024/25 pay award was outstanding for staff conditioned to green book terms and conditions. Furthermore, it was noted that the 2024/25 pay settlement for staff on the retained duty system included an uplift of up to 50% to the retaining element which is a full year unbudgeted cost pressure of circa £1m. Members have requested that further work is undertaken within this area of expenditure.
- 16 Members received a presentation from the Head of Technical Operations setting out the national work being undertaken to reduce the exposure of operational firefighters to contaminants and other health and safety measures. This work included recent challenges in relation to delays in supply and Members noted the measures being taken to address the risks and manage the associated costs. This is an area where research is ongoing and further updates are anticipated.
- 17 Following approval by the Fire Authority of the Environmental Strategy and the Fuel Decarbonisation Plan, Members received an update from the Environment and Climate Change Manager on the work being undertaken during 2024/25 to introduce hydrotreated vegetable oil tanks in key locations. Members noted the plan but sought further assurances on the costs of the fuel prior to implementation. Further updates were provided in terms of the need to replace failing heating systems within fire stations. These plans will be subject to business cases in future meetings, noting that, where possible, grant funding was sought in the first instance.
- 18 The provision of training for operational firefighters and incident commanders is a key area of non-pay expenditure and Members received a presentation from the Head of Training outlining the rationale for the training and associated risks. This included an overview of the key competencies required for all firefighters including the need for ongoing development. Members noted the associated costs and risks and sought further assurances on the reasonableness of the costs in future meetings.

IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objective which is "To facilitate high quality, responsive and better integrated fire and rescue services so that prevention activity and emergency response can continue to be available when and where required, affordably, equitably and on the basis of risk."
Budget	The working group supports the development of the budget and provide assurance that scrutiny has taken place.
Legal	It is a legal requirement for the Fire and Rescue Authority to set a balance budget which enables the organisational objectives to be achieved.
Staffing	Robust budget setting ensures that staff costs are fully considered enabling workforce plans to be developed.
Equalities/ Human Rights/ Welsh Language	The budget development is based on service plans which consider legal obligations.
Risks	A number of risks and uncertainties exist in relation to future budgets which include pay awards, inflationary increases in non pay expenditure and interest rate risks. The budget setting process supports the short, medium and longer term planning and supports achievement of the organisational objectives.

Appendix 1 – Terms of Reference

North Wales Fire and Rescue Authority Budget Scrutiny Working Group

CYLCH GORCHWYL / TERMS OF REFERENCE

1. ENW'R CYFARFOD / NAME OF MEETING	North Wales Fire and Rescue Authority – Budget Scrutiny Working Group
2. CADEIRYDD / CHAIRPERSON	Chair of the Audit Committee
3. IS-GADEIRYDD / VICE-CHAIRPERSON	Vice Chair of the Audit Committee
4. YN ATEBOL I / REPORTS TO	Audit Committee
5. AMLDER CYFARFODYDD / FREQUENCY OF MEETINGS	- Six meetings between June & December 2024
6. FERSIWN A DYDDIAD / VERSION AND DATE	Version 2 24 June 2024

7. PWRPAS Y CYFARFOD / PURPOSE OF THE MEETING

The Budget Scrutiny Working Group is a Member led working group made up of Members from the Audit Committee, supported by the Authority's Treasurer.

With Members representing each of the constituent local authorities, the purpose of the group is to act as a scrutiny function in respect of the financial aspects of the Fire and Rescue Authority. In particular, the scrutiny will focus and consider the financial sustainability of the Authority and gain a common understanding of the financial assessment and risks.

8. AMCANION Y CYFARFOD / OBJECTIVES OF THE MEETING

- To provide scrutiny in respect of all areas of expenditure, seeking clarification and assurance as required.
- To gain sufficient understanding of the underlying issues relevant to the financial aspects of the Fire and Rescue Authority and its ability to deliver its objectives.
- To consider the completeness and reasonableness of the budget assessment for the 2024/25 financial year and the associated risks.
- Consider the robustness of the budget proposals and the Authority's ability to deliver savings against these budget proposals.
- To produce and publish a full report to the Audit Committee as part of the annual budget setting process.
- To cover key / contentious issues thoroughly enough to allow Working Group members to communicate thereon with wider NWFRA membership and their LAs' Cabinet members, etc.

9. AELODAU / MEMBERS

Swydd / Position	Yn Cynrychioli / Representing
Chair, Cllr Mark Young Vice Chair, Cllr Gwynfor Owen Cllr Jeff Evans Cllr Gareth Jones Cllr Tina Claydon Cllr Bryn Apsley Other Members of the Audit Committee may also attend Treasurer, Dafydd Edwards	Denbighshire CC Gwynedd CC Ynys Mon CC Conwy CC Flintshire CC Wrexham CC Professional advisor to the Authority

10. BUDD-DDEILIAID / STAKEHOLDERS

- Fire and Rescue Authority
- Constituent local authorities
- Service Leadership Team

11. TREFNIADAU GWEITHREDU / OPERATING ARRANGEMENTS

- The work of the group will take place over six meetings scheduled between June & December 2024
- Dates have been scheduled in advance;
- The Chair requests agenda items in advance;
- Meetings can take place physically or online depending on the circumstances;
- Actions and key decisions are noted and circulated for progression after the meeting.

12. ADDASU'R CYLCH GORCHWYL / AMENDING THE TERMS OF REFERENCE

- The Terms of Reference will be reviewed annually

Appendix 2 – Forward Work Plan

	24-Jun-	20-Aug-	30-Sep-	23-Oct-	14-Nov	12-Dec
25/26 budget proposal - pay		x			x	
Aerial Ladder Platforms			x			
Borrowing		x				
Budget setting assumptions			x			
Capital business cases			x			
Conformance Report	x			x		
Contaminants & H&S		x				
Environmental improvements		x				
Final budget proposals					x	
Financial impact - ECR		x				
First draft of budget requirement				x		
Funding assumptions & MTRS		x				
Membership	x					
Non Emergency Vehicles				x		
Overview of leased buildings						
Payroll 2024-25 pay award	x					
Pension - funding update	x					
Pension - legal challenges		x				
PPE requirement				x		
RDS payroll	x					
Revenue business cases			x			
Risk register	x				x	
Technical Rescue Unit			x			
Terms of Reference	x					
Training Centre Business Case			x			
Training provision		x				

