

# 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.

	<b>Budget (£m)</b>	<b>Forecast (£m)</b>	<b>Variance (£m)</b>	<b>Variance (%)</b>
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%
<b>Forecast Outturn</b>	<b>44.394</b>	<b>45.331</b>	<b>0.937</b>	<b>2.11%</b>

- 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 16<sup>th</sup> October and 18<sup>th</sup> 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										
<b>Rollover of Funding</b>											
Fire Appliances		0.960	-	-	-	-	-	-	-	-	-
Sustainability works		0.150	-	-	-	-	-	-	-	-	-
<b>Planned Capital Expenditure</b>	<b>5.290</b>	<b>5.676</b>	<b>6.424</b>	<b>4.468</b>	<b>6.830</b>	<b>4.015</b>	<b>7.662</b>	<b>1.171</b>	<b>5.266</b>	<b>2.717</b>	<b>1.220</b>

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
<b>Financed by:</b>											
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
<b>Total Financing</b>	<b>5.290</b>	<b>5.676</b>	<b>6.424</b>	<b>4.468</b>	<b>6.830</b>	<b>4.015</b>	<b>7.662</b>	<b>1.171</b>	<b>5.266</b>	<b>2.717</b>	<b>1.220</b>

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
<b>Budget Pressures</b>			
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	-	-
<b>Non Pay investment</b>			
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
<b>Budget Requirement</b>	<b>49.246</b>	<b>53.087</b>	<b>55.445</b>
Planned use of reserves	- 0.924	- 0.410	-
<b>Net Budget Requirement</b>	<b>48.322</b>	<b>52.677</b>	<b>55.445</b>
<b>Budget Increase</b>	<b>8.85%</b>	<b>9.01%</b>	<b>5.26%</b>

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	-
<b>44.394</b>	<b>Budget requirement</b>	<b>48.322</b>	<b>52.677</b>	<b>55.445</b>

#### 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.

	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>
	<b>31-Mar-21</b>	<b>31-Mar-22</b>	<b>31-Mar-23</b>	<b>31-Mar-24</b>	<b>31-Mar-25</b>	<b>31-Mar-26</b>	<b>31-Mar-27</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Service reserves</b>							
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
<b>Capital &amp; grant reserves</b>							
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
<b>Total</b>	<b>3,461</b>	<b>5,566</b>	<b>6,221</b>	<b>5,285</b>	<b>4,361</b>	<b>3,951</b>	<b>3,951</b>

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"> <li>• 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.</li> <li>• At the time of setting the budget for the 2023/24 financial year, the national pay awards for firefighters for the 2022/23 &amp; 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> <li>• 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.</li> </ul>

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Non-Pay	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Capital Financing	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The initial planning assessment will assume that all future borrowing will be at the prevailing PWLB rate at the time of budget setting.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
Income	<ul style="list-style-type: none"> <li>• Income budgets have been reviewed and set in line with previous years.</li> <li>• 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.</li> <li>• 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.</li> <li>• The draft budget assumes that the National resilience grant funding will be received at 2023/24 levels.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

### 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	-
<b>Over/ (under) spend as a % of NRE</b>	<b>-0.18%</b>	<b>-0.19%</b>	<b>0.10%</b>	<b>0.00%</b>

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
<b>Reserves as a % of NRE</b>	<b>13.66%</b>	<b>19.11%</b>	<b>19.54%</b>	<b>15.24%</b>	<b>12.09%</b>	<b>10.23%</b>	<b>9.79%</b>
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
<b>Cost of borrowing as a % of NRE</b>	<b>6.91%</b>	<b>6.22%</b>	<b>6.15%</b>	<b>5.86%</b>	<b>5.61%</b>	<b>6.50%</b>	<b>7.47%</b>
Level of debt	26.209	24.435	26.460	20.785	24.493	28.508	30.234
<b>Level of debt as a % of NRE</b>	<b>72.92%</b>	<b>65.91%</b>	<b>67.13%</b>	<b>46.82%</b>	<b>50.25%</b>	<b>53.61%</b>	<b>55.34%</b>

## 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%
<b>Total</b>	<b>44,394,161</b>	<b>688,201</b>	<b>100%</b>	<b>48,322,205</b>	<b>3,928,044</b>	



## **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.