

**Due to the current heightened security level in all our premises, Members are reminded to wear their identity badges whilst attending meetings. Any visitors must produce photographic identification at Reception.**

## **SOUTH WALES FIRE & RESCUE AUTHORITY**

**COMMITTEE:** Finance, Audit & Performance Management Committee

**DATE:** Monday, 11 September 2017 at 10:30 hours

**VENUE:** South Wales Fire & Rescue Service Headquarters,  
**Room 8**, Forest View Business Park, Llantrisant  
CF72 8LX

### **AGENDA**

1. Apologies for Absence
2. Declarations of Interest

Members of the Fire & Rescue Authority are reminded of their personal responsibility to both verbally and in writing declare any personal and/or prejudicial interests in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.

3. Chairman's Announcements
4. To Receive the Minutes of:
  - FAPM Meeting held on 3 April 2017 3
5. Revenue Outturn 2016/17 11
6. Capital Outturn 2016/17 23
7. Statement of Accounts 2016/17 31
8. Report on Health Check of priority Actions and Q1 progress against the Statutory PI's 51
9. Revenue Monitoring Report 2017/18 73

10.	Capital Monitoring Report 2017/18	81
11.	2016/17 Annual Treasury Management Review	89
12.	Medium Term Financial Strategy (MTFS) and Reserves Strategy Update	101
13.	Internal Audit Report	123
14.	Forward Work Programme	171
15.	To consider any items of business that the Chairman deems urgent (Part 1 or 2)	177

**At the close of the meeting Members will meet with the Wales Audit Office and Internal Auditors to discuss Service progress**

Signature of Proper Officer:



## **MEMBERSHIP**

### **Councillors:**

G	Thomas	Blaenau Gwent
K	Critchley	Newport
D	White	Bridgend
A	Hussey	Caerphilly
H	Joyce	Cardiff
L	Brown	Monmouthshire
A	Roberts	Rhondda Cynon Taff
S	Evans	Torfaen
R	Crowley	Vale of Glamorgan
K	Gibbs	Merthyr Tydfil

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**MINUTES OF THE FINANCE, AUDIT & PERFORMANCE**  
**MANAGEMENT COMMITTEE MEETING**  
**HELD ON MONDAY, 3 APRIL 2017 AT**  
**SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS**

**48. PRESENT:**

<b>Councillor</b>	<b>Left</b>	
J Morgan (Chair)		Blaenau Gwent
B Morgan (Deputy Chair)		Rhondda Cynon Taf
E Galsworthy		Merthyr Tydfil
A Jones		Torfaen
M Powell		Monmouthshire
K Critchley		Newport

**APOLOGIES:**

C Hawker	Caerphilly
C Smith	Bridgend
P Drake	Vale of Glamorgan
D Ali	Cardiff

**OFFICERS PRESENT:** ACFO A Thomas – Head of Service Delivery; Mr C Barton – Treasurer; Mr C Powell – Deputy Monitoring Officer; Mr G Thomas – Head of Finance & Procurement; Sarah Watkins – Head of Service Performance and Communications; Steve Rossiter – Head of Business Fire Safety; Ms Vicky Davies – TIAA; Mr Mark Jones – Wales Audit Office.

**49. DECLARATIONS OF INTEREST**

All Members declared a personal non-prejudicial interest in each agenda item that affected their Authority.

**50. CHAIR'S ANNOUNCEMENTS**

The Chair observed that this was the last meeting for this municipal year, 2016/17 and wished to thank all officers who have worked so well on behalf of the South Wales Fire and Rescue Service and all members for their friendship and support, in particular, Deputy Chair Barrie Morgan. The Chair confirmed that this will be her last meeting as Chair, and wished everyone the very best for the future.

Councillor Powell expressed her thanks and advised that the Chair had made all feel very welcome; she will be missed.

The Deputy Chair reiterated thanks, and expressed his sadness at the fact the Chair will not be returning.

## **51. MINUTES OF PREVIOUS MEETINGS**

The following minutes were received and accepted as a true record of proceedings:

- FAPM Meeting held on 5 December 2016.
- Finance, Asset & Performance Management Working Group held on 3 October 2016.

## **52. BUSINESS FIRE SAFETY PRESENTATION**

The Head of Business Fire Safety gave an overview of the Business Fire Safety Department and the specialist roles within the Department.

Members noted the contents of the presentation and the important work that is carried out by the Business Fire Safety Team. The Chair thanked Mr Rossiter for a very informative presentation.

### **RESOLVED THAT**

Members noted the important work that is carried out by the Business Fire Safety Team.

## **53. WALES AUDIT OFFICE ANNUAL AUDIT LETTER 2015/16**

The Treasurer gave an introduction to the Wales Audit Officer Annual Letter 2015/16.

Mr M Jones, Wales Audit Officer answered questions from the Members.

### **RESOLVED THAT**

Members resolved to accept the Wales Audit Office Annual Audit Letter 2015/16.

## **54. TREASURY MANAGEMENT STRATEGY 2017/18**

The Treasurer introduced the Treasury Management Strategy 2017/18 for Members information, which had already been approved by the Fire and Rescue Authority.

## **RESOLVED THAT**

- 54.1 Members resolved to note that the Fire & Rescue Authority approved the capital programme and related capital financing contained in the report
- 54.2 Note the treasury management strategies and indicators in support of the above
- 54.3 Approve the Minimum Revenue Provision (MRP) policy to be adopted by the Authority for 2017/18; and
- 54.4 Provide approval for the Treasurer to update the strategies and policies in line with changing economic forecasts and information as necessary throughout the year.

## **55. REVENUE MONITORING REPORT 2016/17**

Members received the Revenue Monitoring Report for 2016/17 which provides detail of the annual revenue budget and associated information for the year ending 31 March 2017.

## **RESOLVED THAT**

Members resolve to note the content of the report and to approve the virement.

## **56. CAPITAL MONITORING REPORT 2016/17**

The Head of Finance and Procurement presented the Capital Monitoring Report which provides detail of the total capital budget for the year, expenditure to date and a forecast outturn position.

## **RESOLVED THAT**

Members resolved to note the progress of the capital schemes, approve alternations identified in Appendix 1 and note the associated funding streams.

## **57. WAO AUDIT PLAN 2017**

Mr M Jones, Wales Audit Office, gave the background to the 2017 Audit Plan for the South Wales Fire and Rescue Service.

The Chair thanked Mr Jones and his team for all their hard work through what has been a difficult year.

**RESOLVED THAT**

Members resolved to note the content of the report.

**58. INTERNAL AUDITORS ANNUAL REPORT YEAR ENDING 31 MARCH 2017**

Ms V Davies, TIAA (Internal Auditors) presented the report summarising the internal audit work that has been undertaken this year.

**RESOLVED THAT**

Members resolved to note the work and overall opinion of the Internal Auditors for the financial year 2016/17.

**59. INTERNAL AUDIT PROGRESS REPORT 2016/17**

Ms V Davies, TIAA (Internal Auditors) presented the report which updated members upon progress being made against the Internal Audit Plan for 2016/17.

**RESOLVED THAT**

Members resolved to note internal audit recommendations and work completed to date on the Internal Audit Plan.

**60. INTERNAL AUDIT ANNUAL PLAN 2017/18**

Members received the report which detailed the proposed Internal Audit Annual Plan for 2017/18, and requested Members' approval.

**RESOLVED THAT**

Members approved the Internal Audit Annual Plan for 2017/18.

**61. REPORT ON PROGRESS OF AUDIT, SCHEME AND CIRCULAR ACTION UPDATES AS AT 3 APRIL 2017**

Members received the report detailing the latest progress recorded against actions arising from internal audits, Wales Audit Office Thematic Reviews, Operational Assurance peer reviews, corporate schemes and Government circulars, as well as graphical summaries showing all actions ongoing, overdue and completed since 2 July 2012 which were provided for each action.

**RESOLVED THAT**

Members resolved to note the contents of the progress report and graphical summaries.

**62. SCRUTINY OF STRATEGIC OBJECTIVES**

Members received the scrutiny of strategic objectives within the Strategic Plan for 2016/17.

**RESOLVED THAT**

Members resolved to note the Strategic Plan 2016/17.

**63. CORPORATE RISK REGISTER 2016/17 – QUARTER 3 REVIEW**

The Head of Service Performance and Communications presented the Quarter 3 Review report and requested Members consider the risks within the Corporate Risk Register and the management of these risks.

The Deputy Chair queried whether there was a simpler way of indicating risk. The Head of Service Performance and Communications confirmed that currently there is a standard based procedure, but a simpler way to quantify risk can be devised.

**RESOLVED THAT**

- 63.1 Members viewed the risks contained within the Strategic Corporate Risk Register and agreed their validity; and
- 63.2 Requested that a simpler way of quantifying risk be devised

**64. FUEL MANAGEMENT REPORT**

The Head of Finance and Procurement gave an overview of the progress made to the recording and management of fuel usage in the Service, following the previous negative internal audit reports received.

**RESOLVED THAT**

- 64.1 Members resolved to note the progress made on the implementation of the Fuel Management System and process improvements;
- 64.2 Agreed to the continuation of the work to develop the electronic recording of fuel card usage at forecourt pumps and integrate the information to the Fleet Management System

64.3 Approved the installation of a fuel tank and pump at the Headquarters site; and that

64.4 fuel usage and management be included as an area for review in the Internal Audit Annual Plan for 2017/18.

## **65. NATO FINANCIAL REPORT**

The Head of Service Delivery provided an overview of the costs incurred by South Wales Fire and Rescue Service to deliver a safe and successful NATO Summit and also an overview of the cost recovery.

Some Members expressed their concern in relation to the writing off of such debt with public money.

The Treasurer confirmed that all avenues of recovery had been explored, short of a formal debt recovery process.

It was noted that a similar situation will occur with the UEFA Champions League being held in Cardiff in June 2017.

Members appreciated that the Service had a statutory obligation to respond, but wished to express their concern over the lack of external funding for such events, and the non-recovery of expenditure, particularly when faced with commercial events.

### **RESOLVED THAT**

65.1 Members resolved to note and accept the costs associated with delivering the Fire element of the NATO conference; and

65.2 Approve the formal write off of the debt relating to £50,473 from Gwent Police, but expressed concerns about the fact that expenditure from such events is non recoverable.

## **66. FORWARD WORK PROGRAMME**

Members received the Forward Work Programme for 2016/17.

### **RESOLVED THAT**

Members noted and agreed the Forward Work Programme for 2016/17

## **67. TO CONSIDER ANY ITEMS OF BUSINESS THAT THE CHAIRMAN DEEMS URGENT (PART 1 OR 2)**



There were no items of business that the Chair deemed urgent.

The Chair formally closed the last meeting of the Municipal year, and wished to thank all for their hard work over the years.



## **REVENUE OUTTURN 2016/17**

### **SUMMARY**

This report outlines the revenue outturn position, subject to the external audit process, for the financial year end 2016/17 and resultant impact on reserves.

### **RECOMMENDATION**

The outturn position and deployment of the net revenue surplus and usable reserves are received and noted.

## **1. BACKGROUND**

- 1.1 Revenue monitoring reports have been presented to this Committee during the course of the year. The objective of this report is to present Members with a summary of the revenue outturn for the year (Appendix 1). The accounts are subject to external audit and to this end a final position will not be definite until the audit process is complete. Appendix 2 shows the budget variances reported at each Finance, Audit & Performance Committee (FAPM) in addition to the overall year end position.
- 1.2 The reserve statement at Appendix 3 has been provided to update Members with yearend movements and position for scrutiny and financial planning purposes as in line with the reserves strategy.

## **2. ISSUE**

- 2.1 During the year monitoring reports have identified a surplus with the most recent reported figures, i.e. FAPM on 3 April 2017), forecasting a surplus of £1.350 million with movements set out in Appendix 2.
- 2.2 In summary, the £2.308 million surplus comprises of £1.747 million for employee and £561k for non-employee areas.
- 2.3 For the purpose of future financial planning and to assist budget pressures the majority of this surplus has been transferred to the Change Management Reserve of the Authority.
- 2.4 A number of areas that have contributed to the increase throughout the year and the most significant are outlined below:

## 2.5 EMPLOYEE COSTS – £1.742 MILLION UNDERSPEND

2.5.1 Continued establishment vacancies (statistics provided below), are the main contributors to the underspend in addition to the number of ill-health retirements being lower than forecast. There was also a further saving against travel and subsistence which saw a reduction in the amount of mileage claims. These issues are informing workforce planning process.

### 2.5.2 Establishment figures (FTE) as at 31 March 2017

	<b>Strength*</b>	<b>Budgeted Estab</b>
WDS	796.00	788.00
RDS (100%)	436.75	539.00
Control	42.93	47.50
Support Staff	261.79	255.73
YFF	60.03	67.00
Members	24.0	24.0

\*Actual strength numbers include those on career breaks but not funded staff and secondments to external agencies

### 2.5.3 Total Leavers & Joiners April 2016 to March 2017 (Headcount)

	<b>Leavers</b>	<b>Starters*</b>
Control	4	0
Support Staff	18	34
RDS	61	56
WDS	39	32
<b>Total</b>	<b>122</b>	<b>122</b>

\*New starters only details new starters to the Service and not any further additional contracts

## 2.6 PREMISES COSTS – £7K UNDERSPEND

2.6.1 Additional costs of £263k included fencing at Headquarters, an increase in external fabric works, an upgrade to CCTV and reactive plumbing works. These were offset by a saving of £134k on gas costs due to accurate meter readings, along with efficiency savings, and a further £136k saving from an underspend within telephones and communications which included a credit adjustment to the Retail Price Index (RPI) payment for 2013/14.

## 2.7 TRAINING COSTS – £45K OVERSPEND

2.7.1 This is the result of a £60k increase in the service contribution to the Private Finance Initiative (PFI) being offset by a saving of £15k against

training courses due to courses being postponed that were scheduled to take place in 2016/17. These costs will now be recognised in the new financial year.

## **2.8 SUPPLIES AND SERVICES – £408K OVERSPEND**

2.8.1 This is mainly due to the purchase of lightweight Personal Protective Equipment (PPE) against clothing and uniform. The purpose of this new kit was to better equip firefighters when performing roles where structural fire kit was less appropriate. It is also anticipated that the lightweight PPE will also extend the life of the more expensive firefighting kit. £464k was transferred from the capital budget to the revenue budget during 2016/17 for the purchase of PPE kit however, a large number of these kits were not completed by March 2017 and will now be available the beginning of 2017/18. A carry forward of budget (slippage) has been approved for this expenditure. In addition, there was an overspend against the general PPE allocation which was due to an increase in the number of new recruits along with auxiliary reserve costs.

2.8.2 Equipment of £101k was also purchased including the replacement of ladders and torches. Additional costs also include a £25k increase in subscription costs, the purchase of ladders for training purposes of £22k and a further £15k for Home Fire Safety equipment that was in excess of grant funding by Welsh Government.

## **2.9 TRANSPORT COSTS – £235K UNDERSPEND**

2.9.1 Savings within re-active areas of the fleet budget for vehicle parts of £98k, a £24k reduction against tools and equipment and a further £14k for accident repair costs are the main factors in the underspend. There was also an in year saving of £66k for fuel costs as a result of a decrease in both usage and the number of pumps. In addition, lease terminations and vehicles identified as being externally funded saw further savings.

## **2.10 CONTRACTED SERVICES - £219K OVERSPEND**

2.10.1 Increased external audit fees relating to an adjustment for previous years accruals as per audit recommendation in line with Audit Plan and additional audit days of £65k are included. Also, increased legal consultancy costs of £48k have partly been offset by additional income received in relation to legal re-imburements along with a further £35k for property consultancy charges. £25k was also transferred to this area of the budget from the auxiliary reserve budget held within salaries for services payable by invoice.

## **2.11 CAPITAL COSTS - £436K UNDERSPEND**

2.11.1 A £386k reduction in the Minimum Revenue Provision (MRP) was a direct result of delays incurred in the capital programme. £135k which was set aside at the beginning of the year for external borrowing was no longer required, with a further £23k variance for loan repayments. These savings were offset by a £91k additional contribution to Capital Expenditure from Revenue Account (CERA), including the Virtual Desktop Infrastructure (VDI) project, along with an additional operating lease of £18k for buyout charges.

## **2.12 CONTINGENCY - £340K UNDERSPEND**

2.12.1 The contingency budget was set aside at the beginning of the year during budget setting.

## **2.13 INCOME - £219K ADDITIONAL**

2.13.1 The main factors in the increase of income is £91k received in relation to fund CERA, as above, along with £55k additional mast income rental due to an adjustment in indexation charges which dated back 15 years in some instances. Other factors include further investment income which was received relating to an investment made in the last quarter of the year, £22k training income received from Babcock, £11k of recovery of costs within Legal and a further £25k received from fines.

## **3. FINANCIAL IMPLICATIONS**

3.1 The unaudited net surplus of £2.308 million will be transferred to useable reserves.

## **4. EQUALITY RISK ASSESSMENT**

4.1 There are no equality implications resulting directly from this report. Each element of the revenue budget will have undergone equality and diversity risk assessments by the responsible budget holder as part of the budget planning process.

## **5. RECOMMENDATION**

5.1 The outturn position and deployment of the net revenue surplus and usable reserves are received and noted.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	<ul style="list-style-type: none"><li>- Revenue and Capital Determination Report</li><li>- Revenue Budget Working Papers</li><li>- Budget Holder Reports</li><li>- Capital Monitoring Report</li></ul>





# SOUTH WALES FIRE & RESCUE SERVICE

## BUDGET MONITORING 2016/17

### APPENDIX 1

	Original Budget 2016/17 £	Budget (vired budget) 2016/17 £	Actual at 31.03.17 £	Over/Under Spend Against Revised Budget	Over/ Under Spend %
<b>Employee Costs</b>					
Salaries, NI & superann.	52,948,351	52,941,351	51,316,819	1,624,532	2.3%
	52,948,351	52,941,351	51,316,819	1,624,532	
Pensions (ill health)	1,055,611	1,055,611	964,249	91,362	0.1%
Travel and Subsistence	421,000	421,000	395,143	25,857	0.0%
<b>Total Employee Costs</b>	54,424,962	54,417,962	52,676,210	1,741,752	2.5%
<b>Premises Related Expenses</b>	4,398,303	4,363,303	4,356,224	7,079	0.0%
<b>Training Expenses</b>	1,353,454	1,335,454	1,380,773	-45,319	-0.1%
<b>Supplies &amp; Services</b>	3,281,698	3,285,448	3,693,552	-408,104	-0.6%
<b>Transport Related Expenses</b>	1,408,288	1,408,288	1,172,797	235,491	0.3%
<b>Third Party Payments (Contracted Services)</b>	615,054	671,304	890,282	-218,978	-0.3%
<b>Capital costs / leasing</b>	4,811,426	4,811,426	4,375,353	436,073	0.6%
<b>Contingency</b>	340,000	340,000	0	340,000	0.5%
<b>Income</b>	-1,122,110	-1,122,110	-1,341,979	219,869	0.3%
<b>CONTRIBUTION BUDGET 2016/2017</b>	69,511,075	69,511,075	67,203,212	2,307,863	3.3%

**Key**
■ Overspend

■ Underpend



## SOUTH WALES FIRE &amp; RESCUE SERVICE

## BUDGET MONITORING 2016/17

## APPENDIX 2

	Original Budget 2016/17 £	Revised Budget (vired budget) 2016/17 £	FAPM Forecast 12.09.16 £	FAPM Forecast 05.12.16 £	FAPM Forecast 03.04.17 £	Outturn Position 31.03.17 £	Variance at FAPM 12.09.16 to Revised Budget	Variance at FAPM 05.12.16 to FAPM 12.09.16	Variance at FAPM 03.04.17 to FAPM 05.12.16	Variance at Outturn to FAPM 03.04.17	Cumulative Variances against Revised Budget
<b>Employee Costs</b>											
Salaries, NI & superann.	52,948,351	52,941,351	52,863,238	51,748,455	51,422,347	51,316,819	83,113	1,114,783	326,107	105,529	1,629,532
	52,948,351	52,941,351	52,863,238	51,748,455	51,422,347	51,316,819	103,113	1,114,783	326,107	105,529	1,649,532
Pensions (ill health)	1,055,611	1,055,611	929,843	920,338	914,748	964,249	125,768	9,505	5,590	-49,501	91,362
Travel and Subsistence	421,000	421,000	415,788	404,980	401,186	395,143	5,212	10,808	3,795	6,043	25,857
<b>Total Employee Costs</b>	<b>54,424,962</b>	<b>54,417,962</b>	<b>54,208,869</b>	<b>53,073,773</b>	<b>52,738,281</b>	<b>52,676,210</b>	<b>214,093</b>	<b>1,135,096</b>	<b>335,492</b>	<b>62,071</b>	<b>1,746,752</b>
Premises Related Expenses	4,398,303	4,363,303	4,389,378	4,469,092	4,604,838	4,356,224	-26,075	-79,714	-135,746	248,614	7,079
Training Expenses	1,353,454	1,335,454	1,348,569	1,397,669	1,434,994	1,380,773	-13,115	-49,100	-37,325	54,221	-45,319
Supplies & Services	3,281,698	3,285,448	3,337,502	3,909,497	4,098,225	3,693,552	-55,804	-571,994	-188,728	404,673	-411,853
Transport Related Expenses	1,408,288	1,408,288	1,386,730	1,379,340	1,263,016	1,172,797	21,558	7,391	116,324	90,219	235,491
Third Party Payments (contracted services)	615,054	671,304	717,031	774,962	879,777	890,282	-46,977	-57,931	-104,815	-10,505	-220,228
Capital costs / leasing	4,811,426	4,811,426	4,751,989	4,528,145	4,388,698	4,375,353	59,437	223,844	139,447	13,346	436,073
Contingency	340,000	340,000	0	0	0	0	340,000	0	0	0	340,000
Income	-1,122,110	-1,122,110	-1,132,486	-1,166,232	-1,246,692	-1,341,979	10,376	33,747	80,459	95,288	219,869
<b>CONTRIBUTION BUDGET 2016/2017</b>	<b>69,511,075</b>	<b>69,511,075</b>	<b>69,007,583</b>	<b>68,366,245</b>	<b>68,161,138</b>	<b>67,203,212</b>	<b>503,492</b>	<b>641,338</b>	<b>205,108</b>	<b>957,926</b>	<b>2,307,864</b>

## Key

Overspend

Underpend



## Appendix 3

Reserve	Purpose and Control	Balance at year start	Transfers in and (out)	Balance at year end	Variations arising between budgeted and actual levels of reserves
<b>General</b>	To cover general financial risks including council funding, grants, inflation and interest.	-3,000,000	-2,328,838	-3,000,000	Revenue surplus.
			328,104		Net transfer to managed underspend reserve.
			2,000,735		Transfer to CFBT reserve to fund future capital works in this project.
<b>Managed under spends</b>	To meet costs associated with rolling programmes of expenditure incomplete at year end. Controlled via routine budget monitoring procedures.	-90,009	-362,406	-418,113	2016/17 carry forward budget requests
			34,302		Spending against 2015/16 carry forward requests
<b>Day Crewing</b>	To meet the costs of allowances arising from transfer of stations to day crewing. Costs controlled and reported via HR / payroll systems.	-407,000	407,000		0 Closure of this reserve and transfer to Change Management.
<b>Change Management</b>	Costs of change arising from 'Shaping our 'Future' programme, investment in change projects to improve service and / or reduce spend.	-9,156,243	167,903	-6,896,075	50% of capital costs for joint fire control project.
			-407,000		Transfer of Day Crewing reserve balance.
			2,499,265		Transfer to the CFBT reserve.
<b>CFBT Reserve</b>	This reserve has been set up to fund capital investment activities in this facility which is to be housed at Cardiff Gate.	0	-2,000,735	-4,500,000	Revenue surplus
			-2,499,265		Transfer from Change Management Reserve.
<b>PFI Equalisation</b>	To meet future costs of the Training Centre PFI project	-3,696,744	-101,487	-3,798,231	Annual PFI adjustments.
<b>Capital Receipts</b>	To meet costs of the capital programme. Reserve applied as receipts are generated	-527,417	-78,936	-751,353	Capital receipts received for sale of assets.
			-145,000		Disposal proceeds for the sale of Porth station.
			-600,000		Remaining cash disposal proceeds from the sale of Lanelay Hall.
			600,000		Used to fund capital investment.
	<b>TOTAL</b>	<b>-16,877,414</b>	<b>-2,158,254</b>	<b>-19,363,772</b>	



**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE, AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE DEPUTY CHIEF OFFICER

AGENDA ITEM NO 6  
11 SEPTEMBER 2017

**CAPITAL OUTTURN REPORT 2016/17**

**SUMMARY**

The following report provides the capital outturn position for the year ended 31 March 2017, the financing arrangements and the budget slippage required to complete capital schemes in 2017/18.

**RECOMMENDATION**

That this report is noted and Members approve the budget slippage as detailed in Appendix 1.

**1. BACKGROUND**

- 1.1 The capital expenditure budget and associated prudential indicators for 2016/17 were set by the Fire & Rescue Authority on 14 March 2016. Monitoring reports have been presented to this Committee throughout the financial year to provide updated forecast information, with the latest report presented to the 3 April 2017 Committee meeting.
- 1.2 Appendix 1 provides a detailed analysis of each scheme and how this contributes to the overall position.

**2. ISSUES**

- 2.1 Appendix 1 details the level of capital expenditure approved by Members for the year. This is compared to the actual cost of capital investment and any resulting variance providing for an over/under spend position.
- 2.2 The table below illustrates the budgeted and actual capital expenditure and the funding mechanisms supporting this:-

<b>Capital Expenditure</b>	<b>Budget £'000</b>	<b>Actual £'000</b>
Approved capital spend	4,415	1,440
15/16 Budget slippage net of reserves	2,209	1,033
<b>TOTAL budget 2016/17</b>	<b>6,624</b>	<b>2,473</b>
<b>Capital Financing</b>		
Borrowing	5,777	1,344
Revenue contribution	200	291
Grant Funded	47	70
Useable Reserves	0	168
Capital Receipts	600	600
<b>Total funding 2016/17</b>	<b>6,624</b>	<b>2,473</b>

2.3. The variance in budget to outturn is £4,151 and is analysed as follows:-

- £530k in savings (includes projects removed from the Programme, e.g. cost avoidance)
- £3.621 million in budget slippage

If approved, budget slippage will be carried into 2017/18 to complete capital projects.

## 2.4. **Building Works**

### 2.4.1 **Land Acquisitions**

Two locations have been identified for future development, Pontypridd and South Cornelly. However, to date, suitable available sites have not been identified therefore slippage of £750k is required to assist the pursuance of these.

### 2.4.2 **Retained Duty Station Refurbishments**

A collaborative project with Gwent Police (GP) and Welsh Ambulance Service Trust (WAST) at Abertillery Station saw the refurbishments to accommodate the three parties.

A further tri-party project accommodating GP and WAST at Monmouth Station has commenced with early design works undertaken to date.

### 2.4.3 **Compartment Fire Behaviour Training (CFBT)**

Following a successful planning application approval in February, procurement for the design and construction contractors has commenced. This project is a significant development for the service and the investment will take place over the next two financial years to project completion.



#### **2.4.4 Occupational Health Relocation**

Initial plans for an early withdrawal from the existing leased accommodation were put on hold. This project will now be considered in 2019/20 in readiness for the expiry of the current lease agreement.

#### **2.4.5 Planned and Preventative Maintenance**

Works undertaken against this budget for the year included refurbishment of the BA complexes at Pontyclun and Bridgend stations and a roof replacement at Maesteg station.

### **2.5. Vehicle Replacement Programme (VRP)**

#### **2.5.1 Aerial Appliance**

Due to specification changes to enhance safety features, the refurbishment of the aerial vehicle was not completed during the year. The funding has been slipped forward for completion early in 2017/18.

#### **2.5.2 Control Unit**

The replacement control unit, including the additional satellite technology was delivered during the year.

#### **2.5.3 Minibus**

The service is reviewing the need for having minibus' available and is currently looking at alternatives.

#### **2.5.4 Non- Operational 4 Wheel Drive**

Manufacturer delays has resulted in the vehicle being delivered after the financial year end, therefore the budget has been slipped forward.

#### **2.5.5 Water Ladders**

Three out of six water ladders were delivered and in use by year end. As a result, the remaining budget of £671k has been slipped forward to 2017/18 to meet costs in the new financial year.

#### **2.5.6 Light Vehicles**

The outturn for light vehicle costs were £12k under budget, this area included the purchase of six car derived vans, one 4x4 and two covert vans for domestic abuse scheme.

## 2.6. ICT

### 2.6.1 H.Q. Back-up equipment

The Core HR/Payroll project development costs in year were £20k, the remainder of the budget has been slipped forward to accommodate the development of the additional modules in 2017/18.

Further elements of the ICT virtual desktop infrastructure (VDI) replacement programme has taken place during the year with the opportunity to include additional requirements following rebate income from the supplier.

### 2.6.2 Station Switches

Replacement switches to connect PC's, telephones, printers and mobilising equipment to the service network were installed at a cost of £186k during the year.

### 2.6.3 Station Transmitters (RDS)

The replacement of station transmitters took place during the year at a cost of £99k.

## 2.7. EQUIPMENT

2.7.1 The remaining supply of Dual Thermal Cameras and CCTV was completed early in the year utilising slippage brought forward and additional budget identified during the year with the total spend being £31k and £197k for the schemes.

2.7.2 The cost of successful trials in the programme for the supply of light weight personal protective equipment (PPE) was undertaken early in the year and funding for the cost of £48k was received from Welsh Government to accommodate the initial supply. As approved by this committee the full supply of lightweight kit was transferred to the revenue budget to accommodate the personal supply and stock requirements in line with proper accounting practice.

## 2.8 Joint Public Service Centre – Command and control system

Following successful stage testing of the new command and control system, initial payments were made at a cost of £336k. As this is a joint collaborative purchase with Mid and West Fire and Rescue Service, half of the funding was recoverable.

### 3. FINANCIAL IMPLICATIONS

- 3.1 The Authority have utilised internal cash surpluses to finance the majority of capital investment during the year. No external borrowing was taken during the year with the continued strategy of internal borrowing utilising cash balances. This is in accordance with the Treasury Management Strategy approved by the Fire and Rescue Authority on 14th March 2016.
- 3.2 The implications of this strategy are reduced borrowing costs, investment returns and minimising risk.
- 3.3 Per the above information, £3.6 million of budget slippage is required.

### 4. EQUALITY RISK ASSESSMENT

- 4.1 There are no equality implications resulting directly from this report. Each element of the capital programme will have undergone Equality and Diversity risk assessments by the responsible project lead, prior to the commencement of the scheme.

### 5. RECOMMENDATION

- 5.1 That this report is noted and Members approve the budget slippage as detailed in Appendix 1.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	<ul style="list-style-type: none"> <li>- Revenue &amp; Capital Budget Determination Report</li> <li>- Capital Monitoring working papers 2015/16</li> <li>- Budget Holder Reports</li> </ul>



<b>Capital Programme 2016/17</b>				<b>APPENDIX 1</b>	
	<b>2015/16 Slippage £000</b>	<b>2016/17 Budget £000</b>	<b>Outturn Position 31.03.2017 £'000</b>	<b>Budget under/over £'000</b>	<b>Slippage 2017/18 £'000</b>
<b>PROPERTY</b>					
<b>LAND ACQUISITIONS</b>					
PONTYPRIDD	425	0	0	0	425
SOUTH CORNELLY	325	0	0	0	325
<b>STATION REFURBISHMENTS - RDS</b>					
ABERTILLERY	180	0	224	-44	0
MONMOUTH	0	800	0	202	598
<b>NEW BUILDS</b>					
CFBT FACILITY CARDIFF GATE	0	505	6	0	499
OCCUPATIONAL HEALTH RELOCATION PLANNED & PREVENTATIVE MAINT	0 90	50 480	0 102	50 -2	0 470
	<b>1,020</b>	<b>1,835</b>	<b>333</b>	<b>205</b>	<b>2,317</b>
<b>VEHICLES</b>					
AERIAL APPLIANCES	300	0	0	25	275
CONTROL UNIT	213	0	224	-11	0
MINIBUS	0	22	0	22	0
NON-OPERATIONAL 4WD	0	28	0	5	23
UTILITY 4WD	72	0	72	0	0
VANS (LIGHT VEHICLES) <i>PART GRANT FUNDED</i>	0	155	100	12	43
WATER LADDERS	213	1,313	855	0	671
	<b>798</b>	<b>1,518</b>	<b>1,252</b>	<b>53</b>	<b>1,012</b>
<b>EQUIPMENT - ORM</b>					
CCTV APPLIANCE & BODY	100	100	197	3	0
DUAL THERMAL CAMERA	30	0	31	-1	0
LIGHTWEIGHT PPE <i>GRANT FUNDED</i>	47	464	48	463	0
	<b>177</b>	<b>564</b>	<b>275</b>	<b>466</b>	<b>0</b>
<b>EQUIPMENT - ICT</b>					
BFS TABLETS	0	22	0	22	0
BIM SYSTEM	0	126	0	0	126
FINANCE/PROCUREMENT SYSTEM	21	0	0	0	21
HQ BACKUP EQUIPMENT	0	50	0	5	45
HR/PAYROLL SYSTEM	75	0	20	5	50
ICT REPLACEMENT PROGRAMME*	68	0	140	-72	0
SERVICE DESK SYSTEM	50	0	0	0	50
STATION SWITCHES	0	200	186	14	0
STATION TRANSMITTERS (RETAINED)	0	100	99	1	0
	<b>214</b>	<b>498</b>	<b>445</b>	<b>-25</b>	<b>292</b>
<b>TOTAL</b>	<b>2,209</b>	<b>4,415</b>	<b>2,305</b>	<b>698</b>	<b>3,621</b>
<b>INTANGIBLES</b>					
JOINT CONTROL SYSTEM			336		
MWFRS CAPITAL CONTRIBUTION			-168		
<b>TOTAL</b>			<b>2,473</b>		
			<b>Funding</b>		
			Borrowing	1,344	
			Grant funded	70	
Revenue Contribution (*includes £37.6k supplier contribution)				291	
			Revenue Reserves	168	
			Capital Receipt	600	
				<b>2,473</b>	



**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE, AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE TREASURER

AGENDA ITEM NO 7  
11 SEPTEMBER 2017

**STATEMENT OF ACCOUNTS 2016/17**

**SUMMARY**

The Appointed Auditor is required to give his opinion on the financial statements for the year ended 31 March 2017. This report considers the statutory ISA260 report (draft), the final statement of accounts and the letter of representation required by the auditor.

**RECOMMENDATIONS**

That Members receive the ISA260 report (attached at Appendix 1) of the Appointed Auditor.

That Members receive the amended final Statement of Accounts and recommend to the Fire & Rescue Authority their approval. (provided electronically)

That Members note the letter of representation prior to completion by the Treasurer and Chairman on behalf of the Fire & Rescue Authority.

**1. BACKGROUND**

- 1.1 The Treasurer to the South Wales Fire & Rescue Authority is responsible for the preparation of financial statements that give a true and fair view of its financial position as at 31 March 2017, and its income and expenditure in the year then ended.
- 1.2 The Auditor General is also required to give their opinion on whether the financial statements give a true and fair view of the financial position of the Authority at 31 March 2017, and its income and expenditure for the year then ended. The Auditor General is also responsible for providing an opinion on the South Wales Fire & Rescue Authority Firefighters' Pension Fund Account.

**2. ISSUE**

- 2.1 The Treasurer approved the draft Statement of Accounts for 2016/17 on 30 June 2017, and these have been subject of the external audit process during July and August.

- 2.2 The audit has now been completed by the Wales Audit Office as appointed auditors and their statutory ISA260 report is attached at Appendix 1. There were a number of changes required to the statement of accounts, and these are identified in the attached Wales Audit Office report. Also a number of changes identified during the audit were not amended in the statement of accounts and these are highlighted as uncorrected misstatements in the auditor's report together with the reason why.
- 2.3 The final statement of accounts will be published on the Authority's website following Fire & Rescue Authority approval and after signature by the Chair, Treasurer and Auditor.
- 2.4 The overall opinion of the external auditor is regarded as favourable. This is again in no small measure down to the significant amount of work undertaken by the accountancy staff of the Fire & Rescue Service, together with support from external audit staff.
- 2.5 It is normal practice for the External Auditor to require a letter of representation from the Authority. A draft of this letter is contained within the ISA 260 report.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 Whilst there have been changes made to the draft financial statements, these do not affect the overall financial position of the Fire & Rescue Authority and as a result there are no financial implications arising directly from this report.

### **4. RECOMMENDATIONS**

- 4.1 That Members receive the ISA260 report (attached at Appendix 1) of the Appointed Auditor.
- 4.2 That Members receive the amended final Statement of Accounts and recommend to the Fire & Rescue Authority their approval.
- 4.3 That Members note the letter of representation prior to completion by the Treasurer and Chairman on behalf of the Fire and Rescue Authority.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	Statement of Accounts 2016-17





WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# South Wales Fire and Rescue Authority

Audit year: 2016-17

Date issued: August 2017

Document reference: **476A2017**

## **Purpose of this document**

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

## **Handling prior to publication**

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[infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

While the audit is substantially complete, a small number of important audit matters are yet to be resolved. We anticipate that the Auditor General is most likely to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

## Summary report

Introduction	4
Status of the audit	4
Potential audit report	5
Significant issues arising from the audit	5
Recommendations arising from our 2016-17 financial audit work	8
Independence and objectivity	8

## Appendices

Appendix 1 – Final Letter of Representation	9
Appendix 2 – potential audit report of the Auditor General to the Members of South Wales Fire and Rescue Authority	13
Appendix 3 – summary of corrections made to the draft financial statements which should be drawn to the attention of the South Wales Fire and Rescue Authority ( <i>outstanding at 20 August, awaiting updated draft financial statements</i> )	16

# Summary report

## Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of South Wales Fire and Rescue Authority (the Authority) at 31 March 2017 and its income and expenditure for the year then ended. The Auditor General is also responsible for providing an opinion on the Authority's Fire Fighters' Pension Fund financial statements (the Fire Fighters' Pension Fund).
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the financial statements being misled.
- 3 The quantitative levels at which we judge such misstatements to be material is £1.775 million for the Authority and £0.483 million for the Fire Fighters' Pension Fund. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity; or figures that need to be precise such as the remuneration of senior officials. We are required to consider and report all misstatements identified during the audit other than those that are clearly trivial. The trivial limit is £89,000 for the Authority and £24,000 for the Fire Fighters' Pension Fund.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising thus far from the audit of the 2016-17 financial statements of the Authority and the Fire Fighters' Pension Fund, which require reporting under ISA 260.

## Status of the audit

- 6 The Authority prepared the draft financial statements for the year ended 31 March 2017 in accordance with the statutory deadline of 30 June 2017. We have substantially completed the audit field work, although there are still some areas of work outstanding that we hope to conclude on soon. However, this intention is dependent on receiving satisfactory responses to some outstanding queries, and the timely receipt of a good quality revised draft of the financial statements, incorporating all required adjustments.
- 7 One important query that remains outstanding relates the accounting treatment of pension payments to retired fire fighters. Officers have indicated that pension payments to retired fire fighters are paid in advance for the month ahead. However, such payments are accounted for as if the payments are made in arrears, with payments due on 1 April being accounted for in March. We have requested officers to confirm whether payments are made in advance or in arrears. If such payments

are made in advance, the current accounting treatment is incorrect and the impact on the Fire Fighters' Pension Fund Account and the Authority's financial statements will need to be considered.

- 8 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Treasurer and the relevant finance officers. This draft report will be considered by the Finance, Audit and Performance Management Committee on 11 September 2017. The deadline for the submission of papers to Committee members is Monday 21 August 2017. This draft report therefore reflects the position as at 20 August 2017.
- 9 Our intention is to report fully, with an updated report, to the Authority at its meeting on 25 September 2017.

## Potential audit report

- 10 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 11 The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

- 12 We set out below the misstatements that we identified in the financial statements, which we discussed with management but remain uncorrected. We are seeking your confirmation that you are content not to correct the financial statements for these misstatements and, if you are content, that you provide us with the reasons for non-correction.

- **The incorrect treatment of transactions relating to the Joint Public Service Centre**

The Authority is working with Mid and West Wales Fire and Rescue Authority and South Wales Police to deliver the Joint Public Service Centre project. The Authority has incurred cumulative costs of £336,000 on the project's new 'command and control' system. Mid and West Wales Fire and Rescue Authority has contributed £168,000 towards these costs, and the Authority has classified their share of the costs as an intangible asset. However, and as reported last year, there is no signed collaboration agreement in place. The only collaboration agreement with the two partner organisations is still only a 'working draft' that has gaps and inaccuracies

and is therefore unsigned. This absence of an agreement again makes it difficult for us to determine the appropriate accounting treatment.

- **Debtors and creditors are overstated in relation to a cost relating to 2017-18**

The Authority has included an invoice for services relating to 2017-18 within creditors at the balance sheet date. Given that the expenditure relates to a future accounting period, with the invoice remaining outstanding at the balance sheet date, the Authority should have reduced the creditor balance to nil. However, the Authority has set up a corresponding entry within debtor prepayments. Both debtor and creditor balances are therefore overstated by £128,000.

- **The gross book value and accumulated depreciation of vehicles and equipment do not agree to the underlying accounting records**

The gross book value and accumulated depreciation of vehicles and equipment recorded in the ledger (and the notes to the financial statements) are £620,000 more than the totals recorded in the Authority's fixed asset registers that support the financial statements. The difference appears to relate to leased vehicles, where assets have been removed from the asset register but not removed from the ledger. Officers have been unable to confirm the correct accounting entries.

## Corrected misstatements

13 There are misstatements that will be corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. These will be set out with explanations in [Appendix 3](#) once you have provided us with the updated draft financial statements. Other significant issues arising from the audit

14 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the financial statements and report any significant issues arising to you. There were some issues arising in these areas this year:

- **We have some concerns about the qualitative aspects of your accounting practices and financial reporting.** Generally we found the information provided to be reliable. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased and fair. However, there is scope to improve the quality of the draft financial statements presented for audit. There is also scope to improve the audit trail and supporting documentation in some important areas. Our detailed findings and recommendations will be reported to you in the autumn. The more significant matters arising are as follows:
  - Overall, the financial statements provided for audit included many simple errors that should have been avoided. They included totals that did not cast, inconsistencies within the financial statements, incorrect

note references, comparatives incorrectly headed up as restated and various typographical errors. These errors should have been picked up from a robust review of the financial statements by management.

- Although improvements have been made since last year, some accounting practices and disclosures did not comply with the Code of Practice and other relevant guidance.
  - Our sample testing identified an issue with documentation available to support pension payments to members who transferred into the Fire Fighters' Pension Fund scheme from South Glamorgan County Council (on local government reorganisation in 1996). For one pension paid to a fire fighter's widow, no supporting records were available. For another pension paid to a retired fire fighter, an unsigned note was available in a paper file but the origin and date of this note was not recorded on the file. Our audit work established that these two cases do not represent a material error in the financial statements.
  - Last year we reported concerns that a large number of manual adjustments had been made outside of the Authority's ledger and trial balance, with no analysis and explanation of them. Improvements have been made in the current year with adjustments processed in the ledger. However, we experienced difficulties in agreeing the Authority's financial statements to the trial balance due to the audit trail being, in our view, unnecessarily complex and unclear.
  - Pension Fund transactions and disclosures recorded in the Authority's financial statements did not strictly comply with the Code of Practice.
  - There is scope to streamline the information reported in the financial statement, to ensure it is relevant and material.
- **Other than those matters highlighted above, we did not encounter any significant difficulties during the audit.** Elements of engagement with the audit team require strengthening going forward. This is particularly important with early closing and the requirement for the 2018-19 financial statements to be certified by 31 July 2017.
  - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We did not identify any material weaknesses in your internal controls**
  - **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Recommendations arising from our financial audit work

- 15 We raised a number of important issues in our Audit of Financial Statements report for 2015-16, with 24 recommendations for improvement, all of which were accepted by officers. The Authority has made good progress in implementing the recommendations, but further work is required in some key areas, relating to the quality of the draft financial statements, audit trails and supporting documentation.
- 16 We will issue a separate report soon, setting out some of our detailed findings and the associated recommendations. This will include a summary of the progress made by the Authority in implementing the 2015-16 recommendations.

## Independence and objectivity

- 17 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 18 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Authority that we consider to bear on our objectivity and independence.



# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

[Date]

### Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of South Wales Fire and Rescue Authority and the Fire Fighters' Pension Fund for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the UK; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with full access to:

- all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Our knowledge of fraud or suspected fraud that we are aware of and that affects South Wales Fire and Rescue Authority and / or the Fire Fighters' Pension Fund and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.

Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

The identity of all related parties and all the related party relationships and transactions of which we are aware.

#### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both

individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

- The incorrect treatment of transactions relating to the Joint Public Service Centre (£168,000): In the ongoing absence of a more detailed collaborative agreement, South Wales Fire & Rescue Service is content with the accounting treatment of initial costs incurred in support of the new command and control system. As last year, the accounting treatment of costs incurred in this area will be considered in conjunction with the final draft of the collaborative agreement.
- Debtors and creditors are overstated in relation to a cost relating to 2017-18 (£128,000): South Wales Fire & Rescue Service considered the low value of this misstatement and the work involved in correcting this entry outweighed the impact on stakeholders.
- The gross book value and accumulated depreciation of Vehicles and Equipment do not agree to the underlying accounting records (£620,000): South Wales Fire & Rescue Service considered the low value of this misstatement and the work involved in correcting this entry outweighed the impact on stakeholders.
- The pension fund liability is understated by £1,564,000, matched by a misstatement in the pension reserve: South Wales Fire & Rescue Service considered this misstatement and the work involved in correcting this entry outweighed the impact on stakeholders. This will be taken forward in discussion with the actuary in 2017-18. *(TBC – awaiting confirmation from officers on whether pensions to retired fire fighters are paid in advance or in arrears).*

The comparative information in the South Wales Fire and Rescue Authority financial statements and the Fire Fighter Pension Fund financial statements has been restated to correct a material errors in prior periods. Pension payments due to retired fire fighters are paid on the first day of each month in advance. However, pension payments due to pensioners for the month of April have historically been treated as March costs. Transactions and balances have therefore been restated to ensure that income and expenditure is recorded in the correct accounting period, and that year-end balances are accurate and complete. Further information is provided in Note 5 to the financial statements. We confirm that the restated transactions and balances are accurate and complete. No other prior year adjustments have been made in the financial statements and no other prior year adjustments are required. *(TBC – awaiting confirmation from officers on whether pensions to retired fire fighters are paid in advance or in arrears)*

## Representations by the South Wales Fire and Rescue Authority

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the South Wales Fire and Rescue Authority on 25 September 2017.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Chris Barton

Treasurer

Date:

Signed by:

Councillor Tudor Davies

Chair

Date:

DRAFT

## Appendix 2

### Potential audit report of the Auditor General to the Members of South Wales Fire and Rescue Authority

I have audited the accounting statements and related notes of:

- South Wales Fire and Rescue Authority; and
- Fire Fighters' Pension Fund

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

South Wales Fire and Rescue Authority's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

The Fire Fighters' Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

#### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 12, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Fire Fighters' Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the South Wales Fire and Rescue Authority and the Fire Fighters' Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report, Annual Governance Statement and Sustainability Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of South Wales Fire and Rescue Authority**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of South Wales Fire and Rescue Authority as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

### **Opinion on the accounting statements of Fire Fighters' Pension Fund**

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Fire Fighters' Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date; and,
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

### **Opinion on other matters**

In my opinion, the information contained in the Narrative Report, Annual Governance Statement and Sustainability Report are consistent with the accounting statements and related notes.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Annual Governance Statement does not reflect compliance with guidance.

**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of South Wales Fire and Rescue Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
[Date]

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Appendix 3

### Summary of corrections made to the draft financial statements which should be drawn to the attention of the South Wales Fire and Rescue Authority

This Appendix will be completed on receipt of the updated draft financial statements (outstanding at 20 August 2017).

DRAFT





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**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE, AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE DEPUTY CHIEF OFFICER

AGENDA ITEM NO 8  
11 SEPTEMBER 2017

**REPORT ON HEALTH CHECK OF PRIORITY ACTIONS AND Q1  
PROGRESS AGAINST THE STATUTORY PI'S.**

**SUMMARY**

This report will give assurance to the Members of the Fire & Rescue Authority and Senior Management within SWFRS on progress towards achievement of the Priority Actions agreed for 2017/2018 as at Quarter 1.

**RECOMMENDATIONS**

That members:

Review the performance details and statistical data for 2017/18 contained within this report.

**1. BACKGROUND**

- 1.1 The Welsh Government require SWFRS to develop Strategic Plans to identify the direction for the Service and address particular areas for improvement. SWFRS does this by developing a 5 year Strategic Plan, implementing actions and measuring indicators to enable the Service to achieve these organisational goals.
- 1.2 In 2017/2018 all departments' linked Priority Actions within their annual department plans to the appropriate Strategic Themes; this enables us to measure how well we are performing against these objectives by how many of the linked actions are on target and review how the associated indicators are performing.
- 1.3 Quarterly updates are recorded by action owners onto the Service Planning Framework, and staff within the Engagement, Transformation and Performance (ETP) team monitor the information and extract reports accordingly.
- 1.4 To further support the performance management framework new National Strategic Indicators were introduced for reporting year 2015/16. Together these provide data and information to inform and support decision making processes within the Service to target activity and drive improvement. The Statistics and Risk team monitor the information and extract reports accordingly.

- 1.5 This report will provide our Senior Management Team and Fire & Rescue Authority with a quarterly health check on performance against the Strategic Themes, Priority Actions and Strategic Indicators for 2017/18 Quarter 1.

## 2. ISSUE

- 2.1 In 2017 to support the 2017-2022 Strategic Plan SWFRS had 5 Strategic Themes. Appendix 1 to this report shows our position in securing the achievement of the Strategic Themes 2017/2018 Quarter 1.
- 2.2 For members information going forward taking into account the Well Being and Future Generations Act the Service has 5 Strategic Themes as listed below
- 1) We will Reduce Risk
  - 2) We will Engage and Communicate
  - 3) We will Nurture Sustainable Resources
  - 4) We will Embrace Technology
  - 5) We will Strengthen Partnerships

To support these Strategic Themes we have seven Priority Actions which each have a number of actions within the Service Planning Framework.

- 2.3 In relation to Strategic Theme 1 to “Reduce Risk” there are three main Priority Actions including to “Reduce the number of deliberate fires”, “Obtaining and sharing information where possible with other agencies to reduce risk and improve community wellbeing” and “Exploring and understanding the reasons behind fire related injuries and in particular the increase in 2015/2016”. Of these three priority actions, two are classed as amber and one as green. At present there is no significant cause for concern.
- 2.4 In relation to Strategic Theme 2 to “Engage and Communicate” there is one Priority Action which is “Undertaking engagement to obtain views on service delivery, risk and priorities”. This is currently classified as green.
- 2.5 In relation to Strategic Theme 3 to “Nurture Sustainable Resources”, we have one Priority Action, which is “Ensure that we attract, develop and retain a suitably resilient workforce that reflects our communications and is capable of delivering our services”. This is currently classified as green.
- 2.6 In relation to Strategic Theme 4 to “Embrace Technology”, which has one Priority Action which is “Ensure ICT systems and services are available to enable efficiency and support service delivery”. This is currently classified as green.

- 2.7 In relation to Strategic Theme 5 to “Strengthen Partnerships”, which has one Priority Action which is “Working with others to be more efficient and effective.” This is currently classified as green.
- 2.8 Delivery for each of these Priority Actions cascades into respective Directorate levels and progress is monitored within their management team meetings.
- 2.9 Appendix 2 is a summary of the organisation’s performance during the first quarter of 2017/18. The report identifies that four indicators are not expected to achieve their end of year target and performance is expected to decline compared to the previous year, two indicators are likely to improve in comparison to last year but are not expected to achieve the target, and one of the indicators is expected to improve compared to last year and will perform better than the target.
- 2.10 The four indicators that are not expected to achieve their target and performance is expected to decline compared to the previous year are in relation to fires attended, false alarms attended, other Special Service Calls (SSCs) and the percentage of dwelling fires contained to the room of origin.
- 2.11 The two indicators that are likely to improve in comparison to last year but are not expected to achieve the target are in relation to deaths and injuries arising as a result of all fires and deaths and injuries arising as a result of accidental fires. Exploring and understanding the reasons behind fire related injuries is one of the organisations priority actions for 2017/18.
- 2.12 The indicator that is expected to achieve its target and performance will improved in comparison to the previous year is in relation to the number of Road Traffic Collisions attended.
- 2.13 Appendix 3 details the performance of the strategic indicators on a Unitary Authority basis during the first quarter of 2017/18.
- 2.14 Please note that all figures in Appendices 2 and 3 were extracted on 10th August 2017 and are therefore provisional and subject to change, following further data collection and quality assurance

### **3. EQUALITY RISK ASSESSMENT**

- 3.1 This report, the accompanying Appendices and the Targets themselves have no ERA impact. Service Performance and Communication department and the respective Directorates are working with the

performance data to establish any trends and implications that would include equality implications. These will be addressed at that time.

- 3.2 It is the responsibility of the action owners to ensure that Equality Risk Assessments are carried out for their actions in the planning framework.

#### 4. RECOMMENDATIONS

- 4.1 That members:

- Review the performance details and statistical data contained within this report.

<b>Contact Officer:</b>	<b>Background Papers:</b>
S Watkins Head of Service Performance and Communications	Appendix 1 Position in securing the achievement of the Strategic Objectives Appendix 2: Q1 2017/2018 Summary Performance Reporting Appendix 3: Q1 2017/2018 Unitary Authority Performance Reporting

## Appendix 1

Position in securing the achievement of the Improvement Objectives 2017/2018 Quarter 1

Strategic Theme	Priority Action	Q1	Update
<b>We will Reduce Risk</b>	<b>PA01</b> - Reduce the number of deliberate fires	Amber	<p>Deliberate fires have increased during the first quarter by just over 30%. However against a five year trend our figure for this quarter is the lowest quarter 1 during this 5 year period. April/May was a relatively busy grass fire period but refuse fires (loose refuse) is likely to continue to be a consistent and an ongoing issue currently affecting 8 UAs. Consequently, this is an issue we are raising with our colleagues in each PSB.</p> <p>Our work targeting areas with high deliberate vehicle fires has seen a reduction for Q1 this year compared to last year. We continue to work with the Police to be proactive in this matter</p>
	<b>PA02</b> - Obtaining and sharing information where possible with other agencies to reduce risk and improve community wellbeing.	Amber	We continue to work with PSBs, in some instances we provide data to support community web pages. Some further examples of our work include establishing a tri-partite hub with WAST, Gwent and South Wales Police. This will involve sharing information between all the blue light services data analysts in South Wales to identify the most vulnerable in the communities and deliver the relevant support and where necessary sign posting to other agencies to reduce risk.
	<b>PA03</b> - Exploring and understanding the reasons behind fire related injuries and particular the increase in 2015/2016.	Green	<p>Quality assuring and finalising the injury figures for 2016/17 was a priority for Q1, to ensure that the end of year returns were submitted accurately and on time. Information has also been gathered from colleagues across Mid &amp; West and North plus our wider benchmarking groups to enable analyses during quarter 2.</p> <p>The organisation has continued to explore the root causes of fire related injuries, using both the data recorded from previous fire-related injuries and additional data gathered through further engagement with the individual casualties involved. This is being achieved primarily through 'Major Injury (M37) Case Studies' (which are carried out for all fire related fatalities and serious injuries) and the organisation's ongoing commitment to the UK-wide Lifebid project. The intelligence gathered from these projects is being used to tailor the education delivered within the organisations safety campaigns, such as the "Think Safe, Cook Safe" campaign.</p>
<b>Engage and Communicate</b>	<b>PA04</b> - Undertaking engagement to obtain views on service delivery, risk and priorities.	Green	<p>We have commenced evaluation of our wholtime recruitment campaign and associated engagement activities.</p> <p>We are engaged with LA's and housing associations in respect of high rise premises to reduce risk in light of Grenfell Towers.</p> <p>We are engaged with selected public sector organisations to target AFA reduction in specific public sector buildings.</p> <p>We have implemented the Welsh Language Standards across the service</p>
<b>Nurture Sustainable Resources</b>	<b>PA05</b> - Ensure that we attract, develop and retain a suitably resilient workforce that reflects our communities and is capable of delivering our services	Green	<p>Commenced the SOF review of the retained duty system to ensure that availability is maximized by considering the RDS contract, recruitment, training and development.</p> <p>Wholtime recruits course run following several community engagement sessions with hard to reach groups in the community.</p> <p>A number of staff concluded their first year of Welsh language training by sitting the Mynediad exam.</p> <p>Took the decision at Senior Management Team to evaluate how well we lead, supported and managed staff for sustainable results by opening ourselves up to assessment under the new Investors in People Standard.</p> <p>Evaluating strategic assessment development centre for future suitability and fitness for purpose.</p> <p>Investigation of strategic level qualification to equip future leaders.</p>

Strategic Theme	Priority Action	Q1	Update
<b>Embrace Technology</b>	<b>PA06</b> - Ensuring ICT systems and services available to enable efficiency and support service delivery.	Green	<p>Continue to support the testing of the new Command &amp; Control system in readiness for go-live.</p> <p>Begin testing of the new version of the Operational Intelligence System (G2D) before implementation of the next module - Safe &amp; Well.</p> <p>Complete the rollout of the remaining equipment in the ICT Infrastructure Project and begin testing the remote access system that all staff will be able to use to access systems from their own equipment at any location and anytime.</p> <p>Upgrade web and email gateways to provide increased security.</p>
<b>Strengthen Partnerships</b>	<b>PA07</b> - Working with others to be more efficient and effective.	Green	<p>We worked with a large number of partners across multiple agencies to ensure service delivery and public safety during the UEFA Champions League and Womens Champions League.</p> <p>Work continues with our partners in MWWFRS and South Wales Police to deliver the Joint Public Service Centre by the projected go live date of October. Current systems testing indicates that this timeline should be achieved.</p> <p>Contracts were awarded on an all Wales basis for the purchase on a phased basis of breathing apparatus by the three Welsh Fire and Rescue Services.</p> <p>A temporary new National Issues Committee Co-ordinator was appointed and work continues in each of the workstream areas.</p> <p>Ad hoc arrangements for the sharing of posts between MWWFRS and SWFRS continue where considered beneficial to both services</p>



Performance Monitoring Report 2017/2018 (Quarter 1)

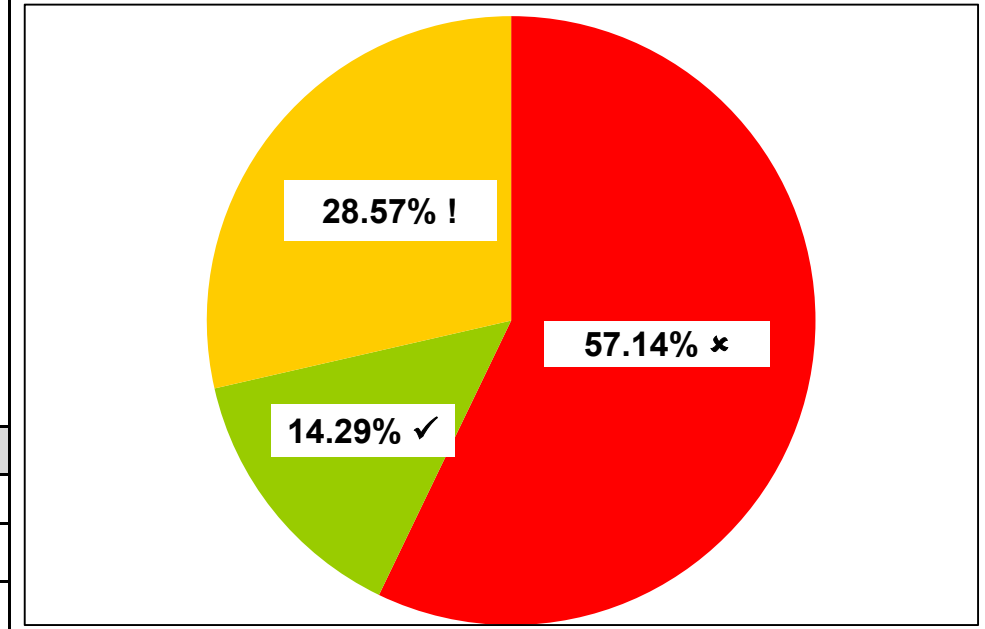
This is the Performance Monitoring Report for the the first quarter of 2017/18. The report highlights the organisation's performance against the Strategic Indicators set by Welsh Government for the period April 2017 to June 2017.

The performance against the indicators within this report cover five years of data, to enable us to demonstrate how the organisation is performing for the communities it serves by showing long term trends in performance.

Following consideration by the Senior Management Team and the Fire and Rescue Authority, the report is made available to the public via the internet.

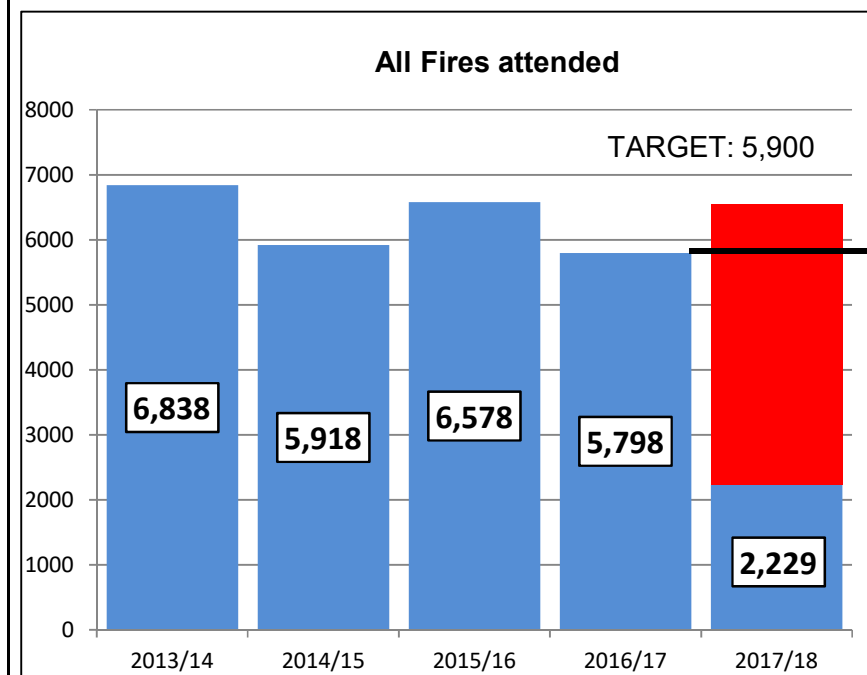
The Service Performance & Communications department co-ordinates and compiles this report on behalf of the Service Delivery Directorate. All information is extracted from updated Directorate quarterly Service Plans and the data sets are maintained and validated by the Statistics and Risk team.

Strategic Indicators 2017/2018 – Performance Q1

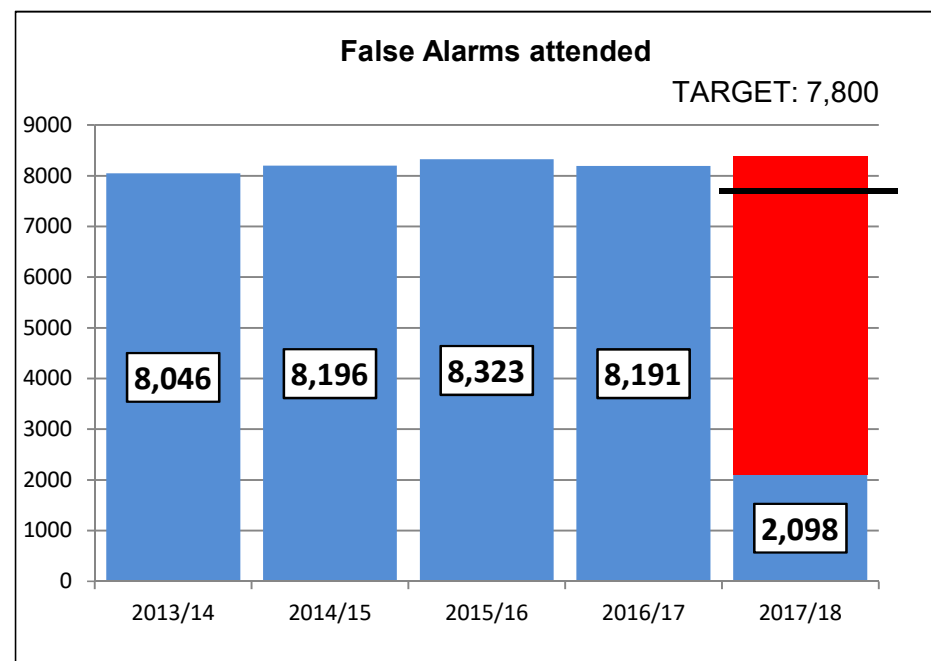


Performance	Indicator Type	Description
✘	Fire Measures	Total Fires Attended per 10,000 population.
✘	Fire Measures	Total False Alarms Attended per 10,000 population
✘	Fire Measures	Total Other SSC Incidents Attended per 10,000 population.
✘	Fire Measures	The Percentage of Dwelling Fires Which Were Contained In The Room In Which They Originated.
!	Deaths and Injuries	Total number of Deaths and Injuries arising From all Fires per 100,000.
!	Deaths and Injuries	Total number of Deaths and Injuries Arising From Accidental Fires per 100,000.
✓	Fire Measures	Total Fires Attended per 10,000 population.

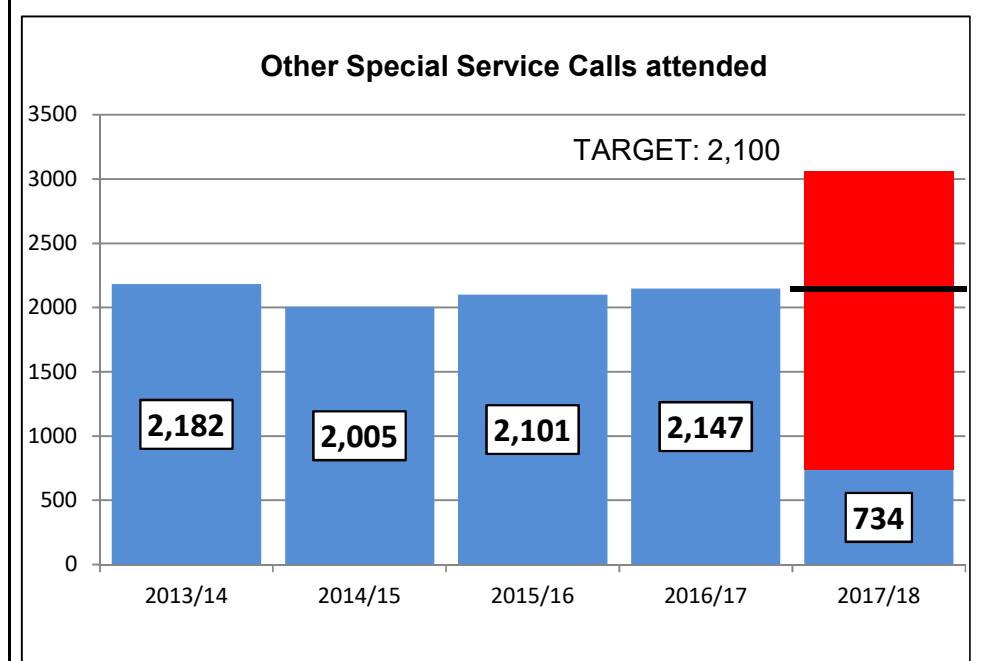
✘	✘	Indicator(s) are not expected to achieve the target. (4)
!	!	Indicator(s) are improving in comparison to last year but are at risk of not achieving the target (2)
✓	✓	Indicator(s) are expected to achieve the target. (1)



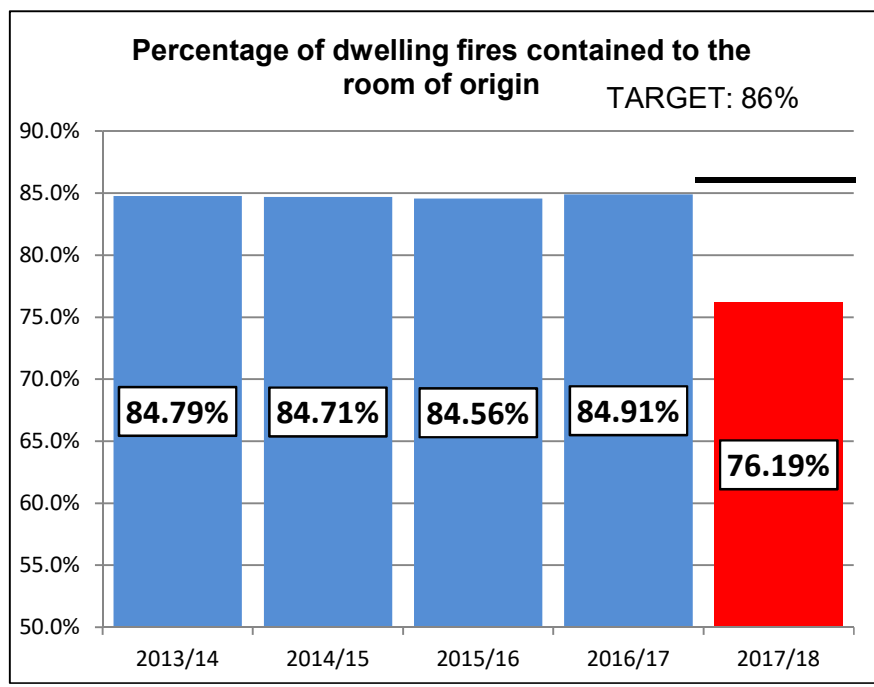
The number of Fires attended during quarter 1 of 2017/18 was 441 (+24.71%) higher than the number attended during quarter 1 of last year. This can be primarily attributed to a 401 (+62.07%) increase seen in April compared to last year. Grass fires (786) accounted for 35.31% of the fires attended while refuse fires (778) accounted for 34.93%. Based on the figures seen in quarter 1 and the 5 year incident trend for fires, the total number of fires attended by the end of the year can be estimated at 6,538, which is 10.8% higher than the target set.



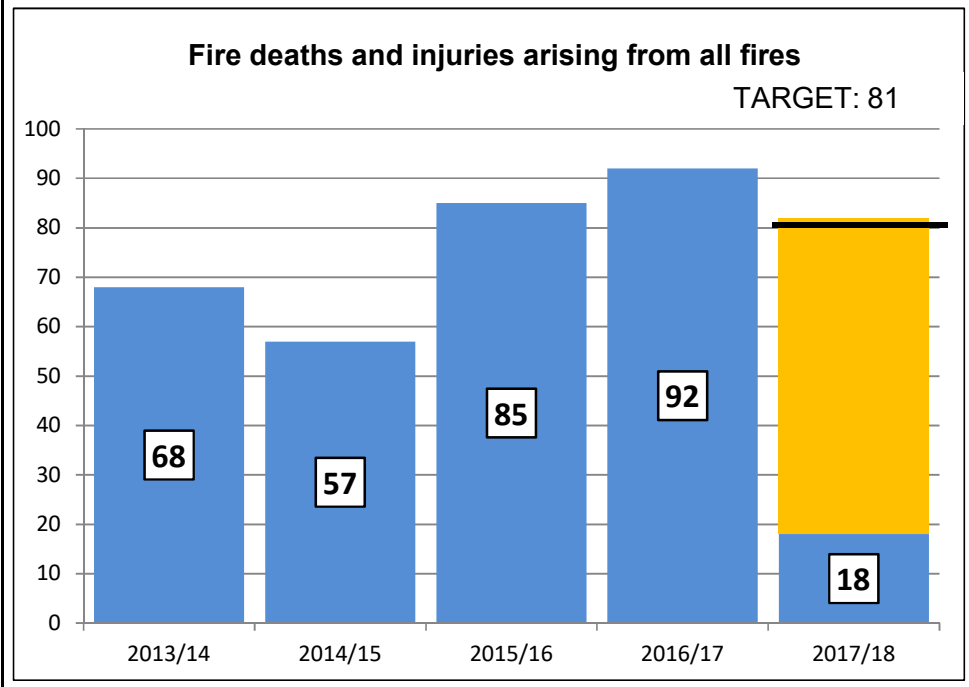
While False Alarms attended have increased by 26 (+1.26%) compared to quarter 1 last year, False Alarms due to apparatus have fallen from 1290 to 1197 (-93, -7.21%) during the same period. Fire Control aim to challenge these calls to prevent unwanted mobilisations and agreements are being negotiated with health and educational premises to reduce attendances during business hours. The total number of False Alarms attended by the end of the year can be estimated at 8,384, which is 7.5% higher than the target set.



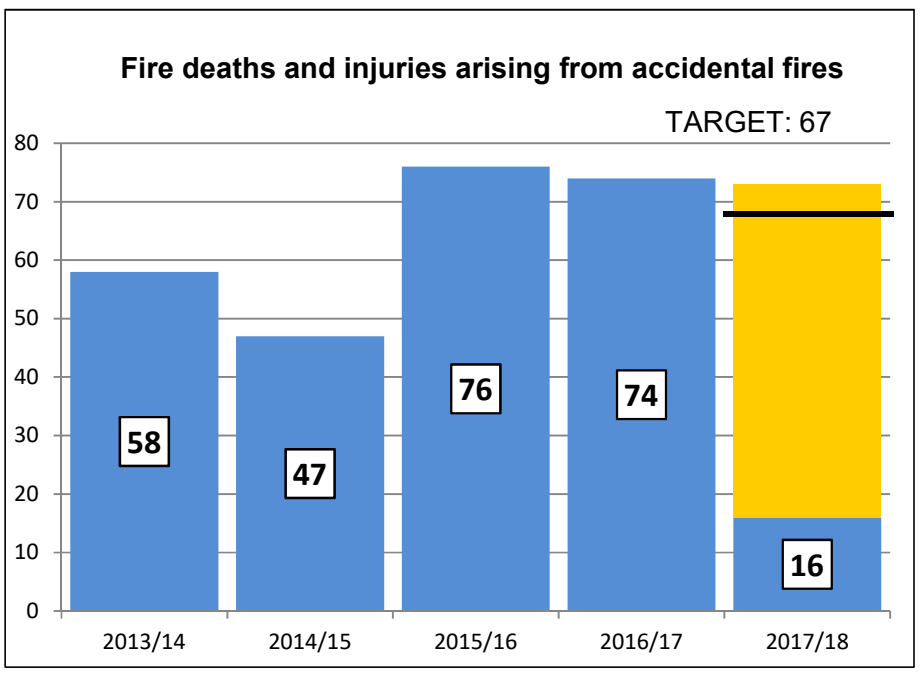
The number of Other Special Service Calls attended has increased by 196 (+36.50%) compared to quarter 1 last year. Incidents where crews were effecting entry/exit were the most prevalent this year, with 104 incidents recorded under these categories. The number of Medical Incidents attended however showed the greatest increase between Q1 this year and last year, as the number increased from 21 to 97 (+362%). The total number of Other SSCs attended by the end of the year can be estimated at 3,058, which is 45.6% higher than the target set.



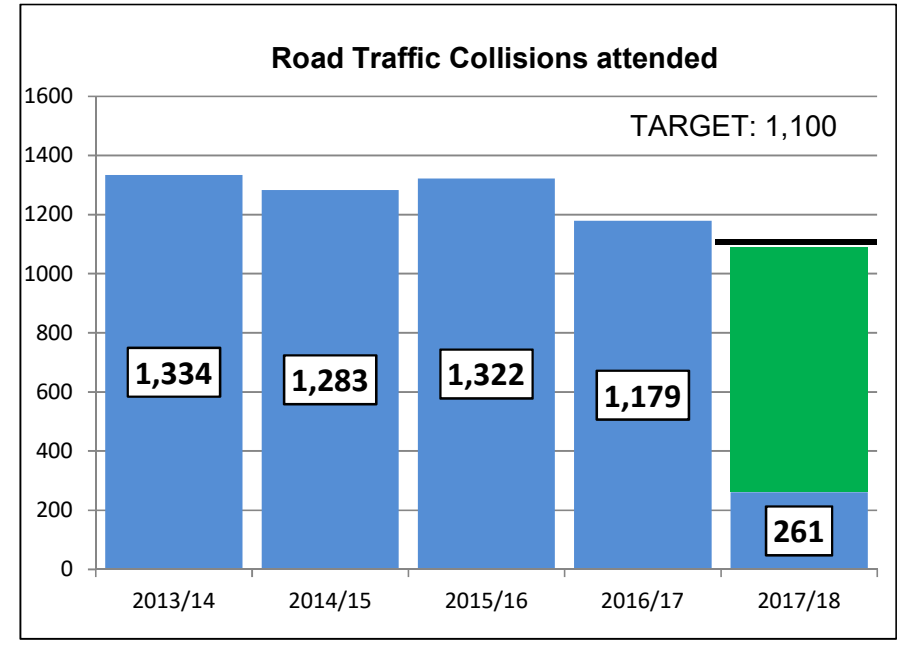
128 of the 168 (76.19%) dwelling fires attended in South Wales during the first quarter of 2017/18 were confined to the room of origin. While this number is below the target set at the start of year, it is worth noting that the number of dwelling fires attended during the period has reduced from 194 in Q1 of 2016/17 to 168 during the same period of 2017/18. This is a reduction of 26 incidents (-13.4%).



The number of fire deaths and injuries arising from all fires has decreased from 24 to 18 during the first quarter of 2017/18 when compared to the corresponding quarter of last year. Having said this, the total number fire deaths and injuries arising from all fires attended by the end of the year can be estimated at 82, which is slightly higher than the target set.



The number of fire deaths and injuries arising from accidental fires has decreased from 18 to 16 during the first quarter of 2017/18 when compared to the corresponding quarter of last year. Having said this, the total number fire deaths and injuries arising from all fires attended by the end of the year can be estimated at 73, which is slightly higher than the target set.



The total number of Road Traffic Collisions (RTCs) attended during the first quarter of 2017/18 was 261, which is 39 incidents (-13.0%) lower than the number attended during the same period last year. Extrication and release of persons accounted for 46 (17.69%) of 261 total RTCs attended in quarter 1. The number of extrications and releases attended has fallen gradually from (269 of 1283, 20.97%) in 2014/15, (232 of 1322, 17.55%) in 2015/16 and numbers in quarter 1 are around the same as 2016/17 (206 of 1179, 17.47%). The predicted total for 2017/18 based on the totals seen in quarter 1 is 1,088, which is lower than the target set.

**\*\*\* Please note that all figures in this report were extracted on 10th August 2017 and are therefore provisional and subject to change, following further data collection and quality assurance**

Gwasanaeth Tân ac Achub  
**De Cymru**



**South Wales**  
Fire and Rescue Service

# Performance Monitoring Report 2017/2018

April 2017 to June 2017

Q1

This is the Performance Monitoring Report for the year 2017/18 and it highlights performance for the period April 2017 to June 2017. The report includes:

- Analysis of incident activity levels by Unitary Authority Area (UAA).
  - Details the number and type of incidents that SWFRS have attended in each UAA.

The performance indicators that are included in the appendices of this report show five years of data to enable us to demonstrate how the organisation is performing for the communities it serves by showing long term trends in performance.

Following consideration by the Senior Management Team and the Fire and Rescue Authority, the report is made available to the public via the internet.

The Service Performance & Communications department co-ordinates and compiles this report on behalf of the Service Delivery Directorate. All information is extracted from updated Directorate quarterly Service Plans and the data sets are maintained and validated by the Statistics and Risk team.

We are continually seeking to improve this report and would welcome comments on additional information or other changes that you would like to see included in the future. Please feel free to contact Neil Herniman on 01443 232775 or Wayne Thomas on 01443 232780 with these comments.

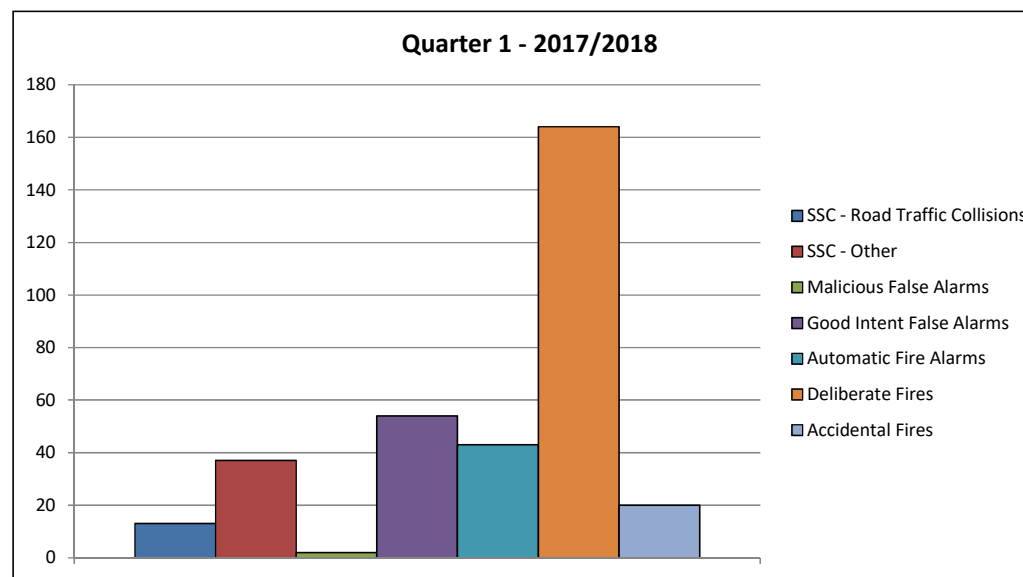
Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18
<b>Total Incidents</b>	1027	145	100	88										333	333				+ 13
<b>Special Service Calls (SSC)</b>	142	17	14	19										50	50				+ 20
SSC - Road Traffic Collisions	55	5	5	3										13	13				- 1
SSC - Other	87	12	9	16										37	37				+ 20
<b>False Alarms</b>	382	40	31	28										99	99				+ 2
Malicious False Alarms	9	0	2	0										2	2				0
Good Intent False Alarms	177	25	17	12										54	54				- 1
Automatic Fire Alarms	196	15	12	16										43	43				+ 3
<b>Fires</b>	503	88	55	41										184	184				- 9
Deliberate Fires	420	81	47	36										164	164				- 10
Accidental Fires	83	7	8	5										20	20				+ 1
All Fatalities + Injuries	3	0	1	0										1	1				- 1
Accidental Fatalities + Injuries	3	0	0	0										0	0				- 2

**Notes**

The total number of incidents attended in Blaenau Gwent during the quarter was 13 higher (-4.1%) than last the first quarter of last year.

The number of Other Special Service calls attended in Blaenau Gwent during the the first quarter of 2017-18 was 20 (+117.6%) higher than the number attended during last year.

The number of deliberate fires attended during quarter 1 of the year were 10 lower (-5.7%) than we attended during the same period of the previous year. Deliberate fires accounted for 164 of 333 total incidents attended during the first quarter of the year (49.2%)



**Key -**

Shows a reduction when compared to a previous period

Shows an increase when compared to a previous period

Shows no change when compared to a previous period



Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18
<b>Total Incidents</b>	1527	170	172	125										467	467				+ 38
<b>Special Service Calls (SSC)</b>	318	31	30	27										88	88				+ 12
SSC - Road Traffic Collisions	113	11	4	6										21	21				- 4
SSC - Other	205	20	26	21										67	67				+ 16
<b>False Alarms</b>	786	62	66	64										192	192				- 13
Malicious False Alarms	15	4	0	0										4	4				- 6
Good Intent False Alarms	236	28	36	23										87	87				+ 32
Automatic Fire Alarms	535	30	30	41										101	101				- 39
<b>Fires</b>	423	77	76	34										187	187				+ 39
Deliberate Fires	261	65	61	27										153	153				+ 52
Accidental Fires	162	12	15	7										34	34				- 13
All Fatalities + Injuries	5	0	0	1										1	1				- 3
Accidental Fatalities + Injuries	2	0	0	0										0	0				- 1

## Notes

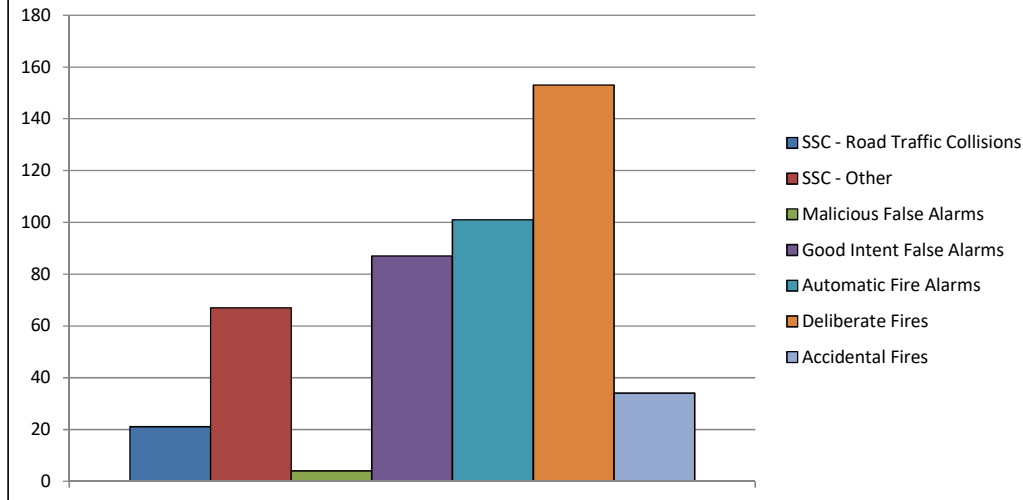
The total number of incidents attended in Bridgend during the first quarter of the year was 38 higher than the number attended during the same period of last year (+8.9%).

The number of false alarms attended during the year decreased by 13 (-6.3%) compared to the same period of last year. The number of automatic fire alarms attended decreased by 39 (-27.9%) while the number of good intent false alarms increased by 32 (+58.2%).

The number of deliberate fires increased by 52 (+51.5%) compared to last year. The total number of accidental fires decreased by 13 (-27.7%).

The number of fire fatalities and injuries recorded decreased by 3 (-75.0%) compared to the same period of last year.

Quarter 1 - 2017/2018



Cyngor Bwrdeistref Sirol



Key -

	Shows a reduction when compared to a previous period
	Shows an increase when compared to a previous period
	Shows no change when compared to a previous period

Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18
<b>Total Incidents</b>	1738	307	178	169										654	654				+ 151
<b>Special Service Calls (SSC)</b>	298	29	29	39										97	97				+ 17
SSC - Road Traffic Collisions	125	11	7	12										30	30				- 10
SSC - Other	173	18	22	27										67	67				+ 27
<b>False Alarms</b>	636	79	51	73										203	203				+ 28
Malicious False Alarms	35	5	2	8										15	15				+ 5
Good Intent False Alarms	263	51	30	31										112	112				+ 21
Automatic Fire Alarms	338	23	19	34										76	76				+ 2
<b>Fires</b>	804	199	98	57										354	354				+ 106
Deliberate Fires	639	183	79	43										305	305				+ 93
Accidental Fires	165	16	19	14										49	49				+ 13
All Fatalities + Injuries	16	4	0	0										4	4				+ 3
Accidental Fatalities + Injuries	14	4	0	0										0	0				+ 3

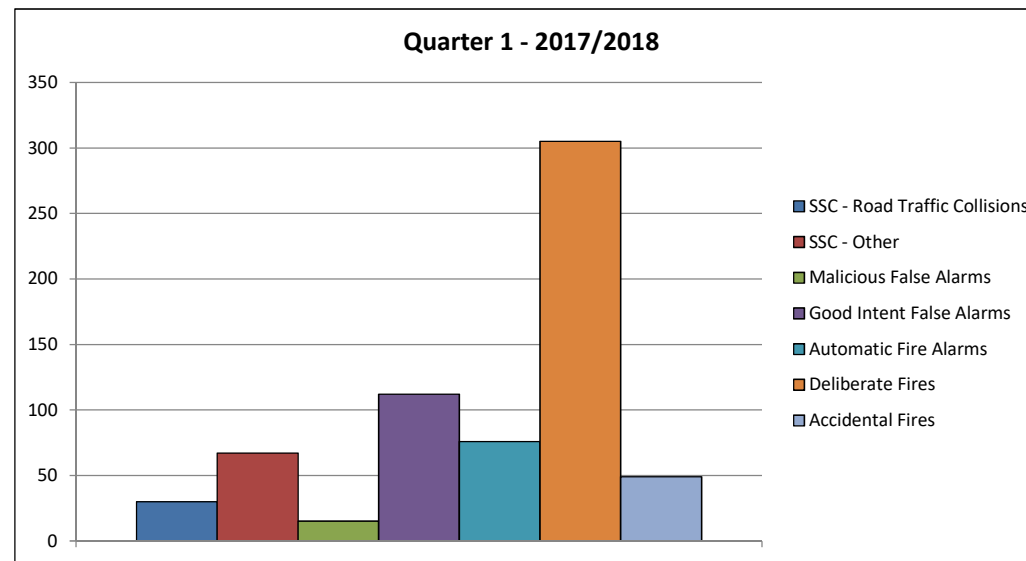
**Notes**

The total number of incidents attended in Caerphilly during the first quarter of 2017/18 was 151 higher than the number attended during the same period last year (+30.0%).

The number of Other Special Service calls attended during the first quarter of 2017-18 was 27 (+67.5%) higher than the number attended during last year.

The number of false alarms attended during the year decreased by 28 (+16.0%) compared to the same period of last year. The number of Good Intent false alarms attended increased by 21 (+23.1%)

The number of fires attended during quarter 1 increased by 106 (+42.7%) compared to the same period last year. This can be attributed to an increase in the number of deliberate fires attended, which increased by 93 (+43.9%)



Key -

Shows a reduction when compared to a previous period

Shows an increase when compared to a previous period

Shows no change when compared to a previous period



Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18
<b>Total Incidents</b>	4070	415	372	365										1152	1152				+ 122
<b>Special Service Calls (SSC)</b>	769	69	69	87										225	225				+ 22
SSC - Road Traffic Collisions	235	16	18	10										44	44				- 16
SSC - Other	534	53	51	77										181	181				+ 38
<b>False Alarms</b>	2299	182	176	175										533	533				- 40
Malicious False Alarms	95	5	9	7										21	21				- 2
Good Intent False Alarms	550	63	47	58										168	168				+ 16
Automatic Fire Alarms	1654	114	120	110										344	344				- 54
<b>Fires</b>	1002	164	127	103										394	394				+ 140
Deliberate Fires	609	111	95	74										280	280				+ 114
Accidental Fires	393	53	32	29										114	114				+ 26
All Fatalities + Injuries	28	4	2	0										6	6				+ 5
Accidental Fatalities + Injuries	23	4	1	0										0	0				+ 4

## Notes

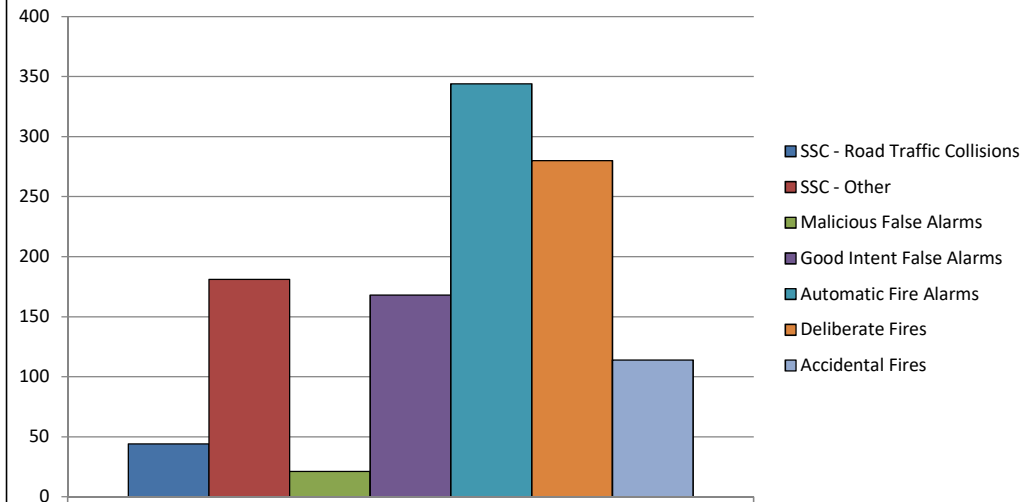
The total number of incidents attended in Cardiff during the the first quarter of the year was 122 higher (+11.8%) than during the same period of last year.

The number of Other Special Service calls attended during the first quarter of the year was 38 higher (+26.6%) than last year. The number of Road Traffic Collisions attended decreased by 16 (-26.7%) compared to the same period of the previous year.

The number of Automatic Fire Alarm calls attended during quarter 1 has decreased by 54 (-13.6%) when compared to the same quarter of last year.

The number of fires attended during Q1 has increased by 140 (+55.1%) compared to the same period of last year. Deliberate fires increased by 114 (+105%) while accidental fires increased by 26 (+29.5%).

Quarter 1 - 2017/2018



Key -

- Shows a reduction when compared to a previous period
- Shows an increase when compared to a previous period
- Shows no change when compared to a previous period



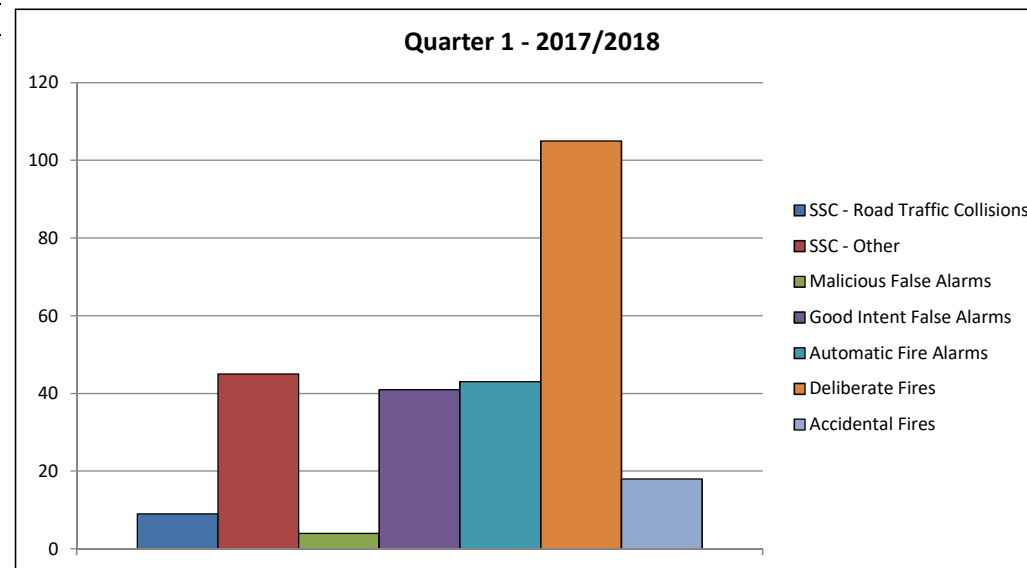
Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18	
<b>Total Incidents</b>	765	117	84	64										265	265					+ 34
<b>Special Service Calls (SSC)</b>	142	14	21	19										54	54					+ 21
SSC - Road Traffic Collisions	49	3	4	2										9	9					- 1
SSC - Other	93	11	17	17										45	45					+ 22
<b>False Alarms</b>	319	33	23	32										88	88					+ 13
Malicious False Alarms	20	3	0	1										4	4					- 2
Good Intent False Alarms	104	18	12	11										41	41					+ 16
Automatic Fire Alarms	195	12	11	20										43	43					- 1
<b>Fires</b>	304	70	40	13										123	123					0
Deliberate Fires	241	60	37	8										105	105					0
Accidental Fires	63	10	3	5										18	18					0
All Fatalities + Injuries	2	0	0	0										0	0					0
Accidental Fatalities + Injuries	2	0	0	0										0	0					0

**Notes**

The total number of incidents attended in Merthyr Tydfil during the the first quarter of the year was 34 higher (+14.7%) than during the same period of last year.

The number of Other Special Service calls attended during the the first quarter of 2017-18 was 22 (+95.6%) higher than the number attended during last year.

The number of false alarms attended during the year decreased by 13 (+17.3%) compared to the same period of last year. The number of Good Intent false alarms attended increased by 16 (+64.0%)



Key -

Shows a reduction when compared to a previous period

Shows an increase when compared to a previous period

Shows no change when compared to a previous period



Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18	
<b>Total Incidents</b>	1043	72	94	74										240	240					- 12
<b>Special Service Calls (SSC)</b>	278	17	26	20										63	63					- 8
SSC - Road Traffic Collisions	87	6	12	7										25	25					+ 4
SSC - Other	191	11	14	13										38	38					- 12
<b>False Alarms</b>	565	41	49	48										138	138					+ 2
Malicious False Alarms	7	0	2	2										4	4					+ 4
Good Intent False Alarms	113	13	9	8										30	30					- 3
Automatic Fire Alarms	445	28	38	38										104	104					+ 1
<b>Fires</b>	200	14	19	6										39	39					- 6
Deliberate Fires	64	3	5	1										9	9					- 14
Accidental Fires	136	11	14	5										30	30					+ 8
All Fatalities + Injuries	1	0	0	0										0	0					- 1
Accidental Fatalities + Injuries	1	0	0	0										0	0					- 1

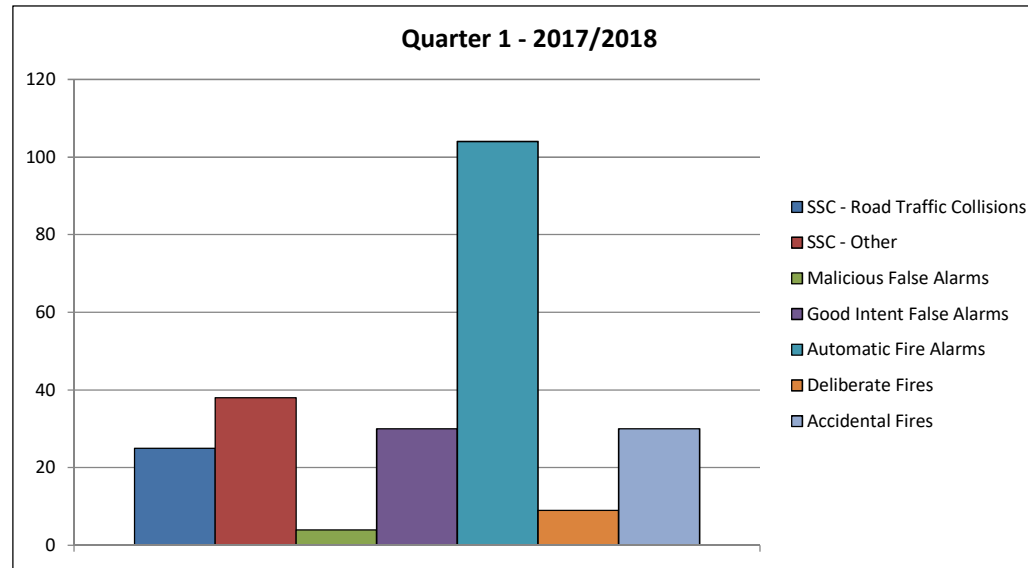
**Notes**

The total number of incidents attended in Monmouthshire during the the first quarter of the year was 12 lower (-4.8%) than during the same period of last year.

The number of other ssc calls attended during quarter 1 was 12 lower (-24.0%) than last year. The number of road traffic collisions attended during quarter 1 was 4 higher (+19.0%) than the number attended last year.

The number of deliberate fires attended during quarter 1 was 14 lower (-60.1%) than the number attended during the same period last year. The number of accidental fires attended was 8 higher (+36.4%)

104 of the 240 incidents attended in Monmouthshire during quarter 1 of this year were false alarms due to automatic fire alarms (43.3%)



Key -

- Shows a reduction when compared to a previous period
- Shows an increase when compared to a previous period
- Shows no change when compared to a previous period

Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18
<b>Total Incidents</b>	2268	238	189	208										635	635				+ 95
<b>Special Service Calls (SSC)</b>	357	35	34	38										107	107				+ 14
SSC - Road Traffic Collisions	133	7	12	10										29	29				- 3
SSC - Other	224	28	22	28										78	78				+ 17
<b>False Alarms</b>	977	93	79	96										268	268				+ 49
Malicious False Alarms	48	3	2	6										11	11				- 6
Good Intent False Alarms	277	37	26	22										85	85				+ 13
Automatic Fire Alarms	652	53	51	68										172	172				+ 42
<b>Fires</b>	934	110	76	74										260	260				+ 32
Deliberate Fires	746	97	55	60										212	212				+ 30
Accidental Fires	188	13	21	13										47	47				+ 1
All Fatalities + Injuries	9	0	0	0										0	0				- 5
Accidental Fatalities + Injuries	6	0	0	0										0	0				- 3

**Notes**

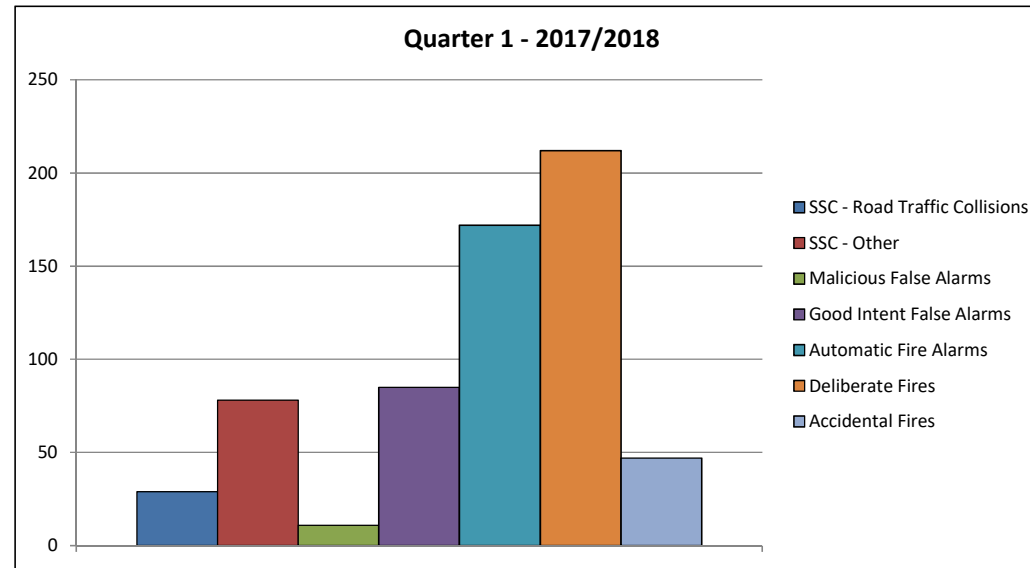
The total number of incidents attended in Newport during quarter 1 was 95 higher (+17.6%) than last year.

The number of Other Special Service calls attended during the the first quarter of 2017-18 was 17 (+27.9%) higher than the number attended during last year.

The number of automatic fire alarms attended during the first quarter this year has increased by 42 (+32.3%) compared to last year.

The number of deliberate fires attended this year has increased by 30 (+16.5%) compared to last year.

There have been no fire related deaths or fire related injuries that required a casualty being transported to hospital during quarter 1 of this year. There were 5 during the same period last year.



Key -

Shows a reduction when compared to a previous period

Shows an increase when compared to a previous period

Shows no change when compared to a previous period



Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18
<b>Total Incidents</b>	2407	377	309	225										911	911				+ 187
<b>Special Service Calls (SSC)</b>	472	47	61	45										153	153				+ 31
SSC - Road Traffic Collisions	224	20	19	13										52	52				- 9
SSC - Other	248	27	42	32										101	101				+ 40
<b>False Alarms</b>	1038	95	86	99										280	280				+ 10
Malicious False Alarms	24	3	3	3										9	9				+ 5
Good Intent False Alarms	409	58	46	45										149	149				+ 21
Automatic Fire Alarms	605	34	37	51										122	122				- 16
<b>Fires</b>	897	235	162	81										478	478				+ 146
Deliberate Fires	646	215	127	47										389	389				+ 135
Accidental Fires	251	20	35	34										89	89				+ 11
<b>All Fatalities + Injuries</b>	21	0	2	4										6	6				- 4
Accidental Fatalities + Injuries	19	0	2	4										6	6				- 2

## Notes

The total number of incidents attended during quarter 1 was 187 higher (+25.8%) than last year.

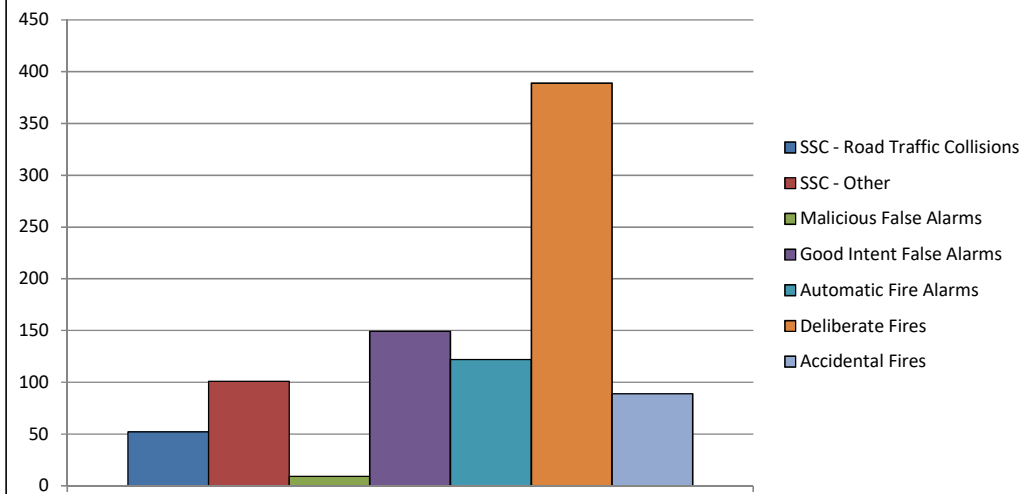
The number of Other Special Service calls attended during the the first quarter of 2017-18 was 40 (+65.6%) higher than the number attended during last year.

The number of good intent false alarms attended during the first quarter this year has increased by 21 (+16.4%) compared to last year.

The number of deliberate fires attended during the first quarter has increased by 135 (+53.1%) compared to last year.

Deliberate fires accounted for 389 of the 911 incidents (42.7%) attended in Rhondda Cynon Taf during quarter 1

## Quarter 1 - 2017/2018



Key -

- Shows a reduction when compared to a previous period
- Shows an increase when compared to a previous period
- Shows no change when compared to a previous period

Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18
<b>Total Incidents</b>	1273	133	100	116										349	349				+ 2
<b>Special Service Calls (SSC)</b>	205	24	33	17										74	74				+ 29
SSC - Road Traffic Collisions	61	3	8	4										15	15				+ 2
SSC - Other	144	21	25	13										59	59				+ 27
<b>False Alarms</b>	689	55	40	61										156	156				- 34
Malicious False Alarms	40	3	1	2										6	6				- 10
Good Intent False Alarms	165	18	16	12										46	46				0
Automatic Fire Alarms	484	34	23	47										104	104				- 24
<b>Fires</b>	379	54	27	38										119	119				+ 7
Deliberate Fires	242	34	15	25										74	74				+ 8
Accidental Fires	137	20	12	13										45	45				- 1
All Fatalities + Injuries	2	0	0	0										0	0				- 1
Accidental Fatalities + Injuries	2	0	0	0										0	0				- 1

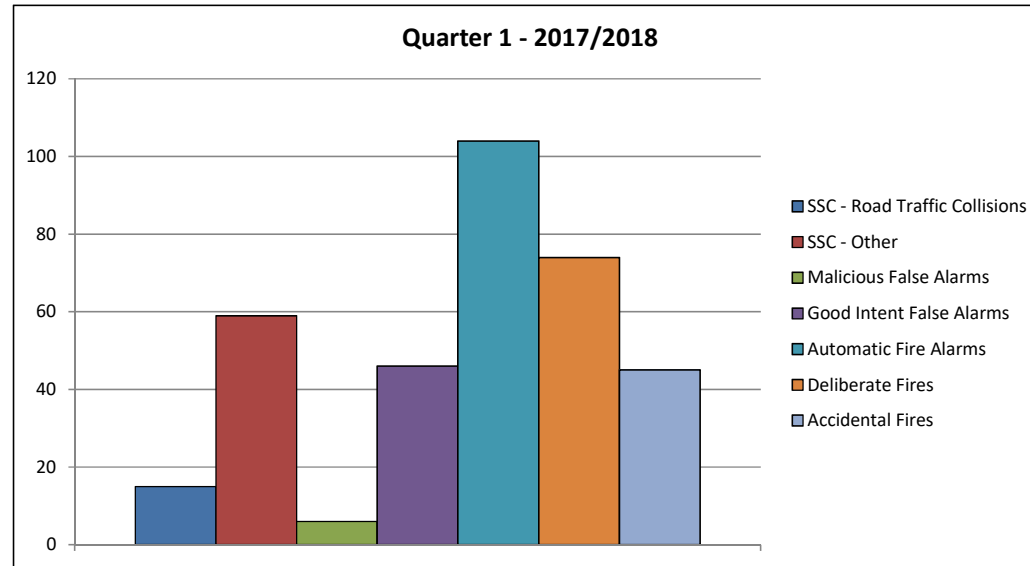
**Notes**

The number of Other Special Service calls attended during the the first quarter of 2017-18 was 27 (+84.4%) higher than the number attended during last year.

The number of false alarms attended as a result of automatic fire alarms has decreased by 24 (-18.8%) compared to the same period last year.

The number of deliberate fires attended during the first quarter has increased by 8 (+12.1%) compared to last year.

There were no fire related deaths or fire related injuries that required a casualty being transported to hospital during quarter 1 of this year.



Key -

- Shows a reduction when compared to a previous period
- Shows an increase when compared to a previous period
- Shows no change when compared to a previous period



Incident Categories	2016/2017	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year Total	Q1	Q2	Q3	Q4	16/17 vs 17/18
<b>Total Incidents</b>	1194	98	107	102										307	307				- 8
<b>Special Service Calls (SSC)</b>	344	21	33	29										83	83				0
SSC - Road Traffic Collisions	96	6	8	9										23	23				0
SSC - Other	248	15	25	20										60	60				0
<b>False Alarms</b>	499	43	43	53										139	139				+ 9
Malicious False Alarms	10	1	0	0										1	1				0
Good Intent False Alarms	168	22	13	15										50	50				+ 16
Automatic Fire Alarms	321	20	30	38										88	88				- 7
<b>Fires</b>	351	34	31	20										85	85				- 17
Deliberate Fires	185	24	24	13										61	61				+ 3
Accidental Fires	166	10	7	7										24	24				- 20
All Fatalities + Injuries	5	0	0	0										0	0				- 1
Accidental Fatalities + Injuries	2	0	0	0										0	0				- 1

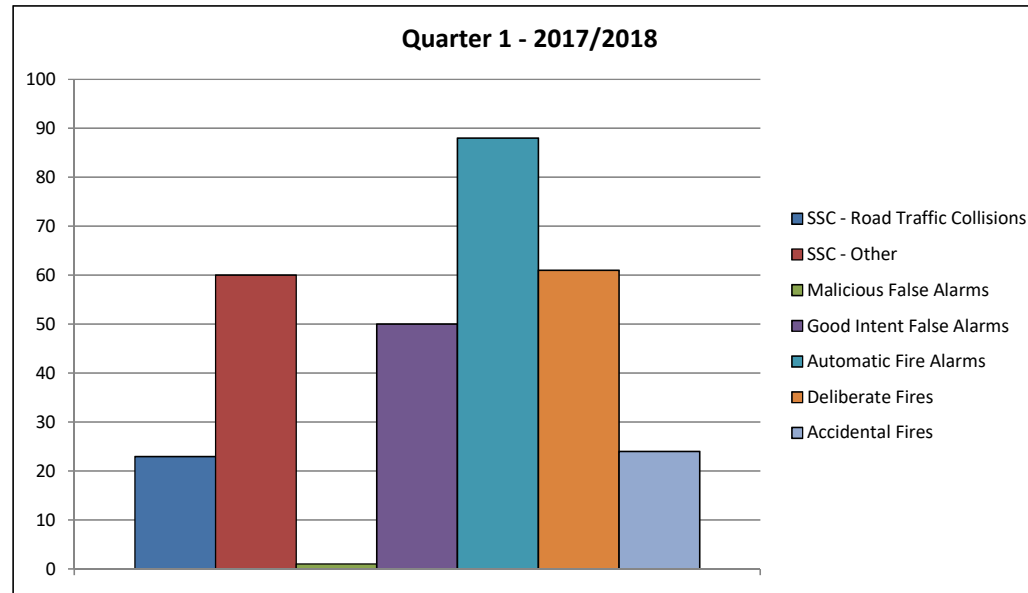
**Notes**

The total number of incidents attended in The Vale of Glamorgan during quarter 1 was 8 lower (-2.5%) than last year. False alarms (139) accounted for 45.3% of all incidents attended.

The number of good intent false alarms attended during quarter 1 was 16 higher (+47.1%) than the number attended during the same period of last year.

The number of accidental fires attended during quarter 1 of 2017-18 was 20 incidents lower (-45.5%) than the number attended during the same period of last year.

There were no fire related deaths or fire related injuries that required a casualty being transported to hospital during quarter 1 of this year.



Key -

- Shows a reduction when compared to a previous period
- Shows an increase when compared to a previous period
- Shows no change when compared to a previous period







## **REVENUE MONITORING REPORT 2017/18**

### **SUMMARY**

The Revenue Monitoring Report provides details of the annual revenue budget and associated information for the year ending 31 March 2018.

### **RECOMMENDATION**

That the Finance, Audit & Performance Management Committee note and agree the report content and approve the virement.

## **1. BACKGROUND**

- 1.1 The revenue budget for 2017/18 was approved by the Fire & Rescue Authority on 19 December 2016. This report presents the major changes affecting the revenue budget since budget setting.
- 1.2 Appendix 1 attached details the original budget, a revised budget to reflect authorised virements, transactions to date, the forecast outturn position and variance analysis.

## **2. ISSUES**

- 2.1 The current forecast for the year is an underspend of £894k relating to the employee element of the budget which is being offset by an increase of £542k against non-employee related budgets. There is a resultant £352k overall underspend. This figure should be viewed with a commensurate level of prudence as the majority of the year's expenditure and income has yet to be incurred.
- 2.2 Since the original budget was set, there has been a number of changes with the most significant of these outlined below.

### **2.3 EMPLOYEE COSTS - £894K UNDERSPEND**

- 2.3.1 This consists of an underspend against salaries of £862k and a further £51k savings in the operational pensions budget which are being offset by an increase in travel and subsistence of £19k.
- 2.3.2 Vacancy underspends of £811k for individuals is the main factor in the salary underspend along with £124k additional income to fund salary costs, including Community Safety posts. These are offset

by an increase in Local Government Pension Scheme (LGPS) contributions as there have been 37 new members and 22 leavers since the initial budget was set.

2.3.3 Pensions have an underspend of £51k which includes a saving from ill-health charges. The budget set for ill-health charges included known costs plus an average for the year. It is worth noting that any additional ill-health retirements that occur during the course of the year will change this position.

2.3.4 An increase in mileage claims is the main factor in the increase of £19k within travel and substance. Costs have increased from when the budget was initially set when comparing against trends for the same period last year.

2.3.5 Members are requested to approve a virement of £143,490 from the Auxiliary Reserve budget contained in salaries to the Contracted Services budget to cover the Auxiliary Management costs paid via invoice. This includes a payment of £118,490 for the contract with Securitas for the annual retainer of incident commanders.

**2.3.6 Establishment figures (FTE) as at 31 July 2017**

	<b>Strength*</b>	<b>Budgeted Estab</b>
WDS	807.50	794
RDS (100%)	437.50	533
Control	38.94	47.50
Support Staff	257.51	255.54
YFF	61.04	67.00
Auxiliary Reserve	74.00	80.00

\*Actual strength numbers include those on career breaks but not funded staff and secondments to external agencies.

**2.3.7 Total Leavers & Joiners April 2017 to July 2017 (Headcount)**

	<b>Starters</b>	<b>Leavers</b>
Control	0	0
Support Staff	11	7
RDS	30	21
WDS	23	12
Auxiliary Reserve	0	3
<b>Total</b>	<b>64</b>	<b>43</b>

\*Does not include additional contracts by existing employees

## 2.4 PREMISES COSTS - £516K OVERSPEND

- 2.4.1 The largest increase is in the national non-domestic rates return (NNDR). Rates were recently revalued in 2017 following postponement by central government; the last revaluation took place in 2010. The revaluation sees an increase of £291k which is currently being challenged via Cooke and Arkwright. Any outcome from this will impact on this current forecast overspend. Barry, Cwmbran and Pontyclun are some of the fire stations seeing the largest increase.
- 2.4.2 An additional £130k is forecast for redecoration work scheduled and ongoing projects including painting work as a part of a conditioning survey at Bridgend, shower works at Cardiff to remedy ongoing issues and emergency work required to keep Pontyclun operational.
- 2.4.3 Costs delayed for projects anticipated in 2016/17 have resulted in an increased forecast of £55k between electrical services and fire and security budgets, which includes the costs for installation of CCTV. Projects to be undertaken during 2017/18 include installation of a WigWag traffic light system at Malpas and swipe access for workshop offices.
- 2.4.4 An overspend for external area projects of £34k is forecast as no initial budget was set at the beginning of the year and a further £15k overspend is forecast in relation to appliance bay doors that were required to be replaced at Aberbargoed and Chepstow.

## 2.5 TRAINING - £16K UNDERSPEND

- 2.5.1 £11k has been re-allocated to cover consultancy costs incurred within the Human Resources budget which is the main factor of the £16k underspend currently being forecast against training costs.

## 2.6 SUPPLIES AND SERVICES - £513K OVERSPEND

- 2.6.1 Operational equipment is forecast to increase by £105k which is due to £55k costs incurred to date for the Cardiac Arrest project which was initially unbudgeted and a further £26k for Packex equipment to be purchased.
- 2.6.2 Other equipment is forecast to increase by £228k of which £209k is for the potential overspend against the Home Fire Safety stock budget. A grant agreement of £223k from Welsh Government has been received and currently a potential overspend of £209k is

forecast. This figure is to be reviewed in year as any potential underspend from the other Wales fire authorities will offset this and reduce the anticipated overspend. £10k relates to the reallocation of budget within Resilience and Planning for National Interagency Liaison Officer (NILO) training and further unbudgeted £9k relates to equipment purchased for the Fire Medical Response project.

2.6.3 £72k relates to expenditure that was initially bid against the Capital programme. £36k is the revenue costs incurred for the Business Management Information System purchased by the Service Performance and Communication team and a further £36k for the purchase of replacement kit for Fire Cadets within Community Safety.

2.6.4 Annual insurance premiums have also increased which is resulting in a forecasted increase of £32k.

2.6.5 Supplies and services have also increased within the Operations budget by a forecast of £21k. £10k is for the purchase of replacement electric cookers on fire stations and a further £11k anticipated for increased printer cartridge costs incurred to date. However, this budget is being reviewed as new printers have been installed on stations and should see a reduction in costs in this area.

## **2.7 TRANSPORT RELATED EXPENSES - £38K UNDERSPEND**

2.7.1 Forecast transport costs are lower than budget due to a reduction in lease car costs from when the initial budget was set, with the forecast now being comparable with the actual outturn position for 2016/17.

2.7.2 A further £20k underspend has been forecast against the Fleet budget for expenditure to be incurred against vehicle parts and accident repairs, with consideration taken to the outturn position for 2016/17. It is worth Members noting that these are re-active budget areas and will need to be reviewed in year.

## **2.8 CONTRACTED SERVICES - £74K UNDERSPEND**

2.8.1 This is largely due to a £109k surplus identified during budget setting. £11k has been re-allocated to this area for the development of exercises for the Middle Manager Assessment Development Centre (MMADC) within Human Resources; also an increase to Legal consultancy costs which are offset by additional income received.

## 2.9 CAPITAL COSTS/LEASING - £63K UNDERSPEND

2.9.1 This is a result of the overall capital programme spending being lower than anticipated at budget setting. The underspend comprises of a 62k reduction in the forecast for the Minimum Revenue Provision (MRP) charge.

## 2.10 INCOME - £46K ADDITIONAL

2.10.1 Additional income is forecast and offsets additional expenditure. £13k relates to increased consultancy costs within the Legal budget and a further £10k subscription reimbursement where increased costs are being incurred within Supplies and Services.

## 2.11 CONTINGENCY - £250K UNDERSPEND

2.11.1 Currently the underspend in the employee related budget is supporting unbudgeted spending against non-employee areas and as such the contingency of £250k approved by Members during budget setting, remains in place.

## 3. FINANCIAL IMPLICATIONS

3.1 An overall projected underspend on the revenue budget equating to £352k.

## 4. EQUALITY RISK ASSESSMENT



4.1 There are no equality implications resulting directly from this report. Each element of the revenue budget will have undergone equality and diversity risk assessments by the responsible budget holder as part of the budget planning process.

## 5. RECOMMENDATION

5.1 That the Finance, Audit & Performance Management Committee note and agree the report content and approve the virement.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance and Procurement	<ul style="list-style-type: none"> <li>• Revenue &amp; Capital Determination Report</li> <li>• Revenue Budget Working Papers</li> <li>• Budget Holder Reports</li> <li>• Capital Monitoring Report</li> </ul>



<b>SOUTH WALES FIRE &amp; RESCUE SERVICE</b>						
<b>BUDGET MONITORING 2017/18</b>						<b>APPENDIX 1</b>
	<b>Original Budget 2017/18</b>	<b>Budget (vired budget) 2017/18</b>	<b>Actual at 09.08.17</b>	<b>Forecast 31.03.18</b>	<b>Over/Under Spend Against Revised Budget</b>	<b>Over/Under Spend %</b>
	£	£	£	£		
<b>Employee Costs</b>						
Salaries, NI & superann.	53,384,169	53,240,679	17,375,587	52,378,886	861,793	1.2%
	53,384,169	53,240,679	17,375,587	52,378,886	861,793	
Pensions (ill health)	941,991	941,991	273,548	891,293	50,698	0.1%
Travel and Subsistence	406,200	406,200	108,800	425,071	-18,871	0.0%
<b>Total Employee Costs</b>	<b>54,732,359</b>	<b>54,588,869</b>	<b>17,757,935</b>	<b>53,695,250</b>	<b>893,620</b>	<b>1.3%</b>
<b>Premises Related Expenses</b>	<b>4,445,100</b>	<b>4,445,100</b>	<b>1,306,201</b>	<b>4,961,468</b>	<b>-516,368</b>	<b>-0.7%</b>
Training Expenses	1,516,954	1,516,954	154,811	1,501,113	15,841	0.0%
Supplies & Services	3,445,152	3,445,152	2,114,736	3,957,947	-512,794	-0.7%
Transport Related Expenses	1,403,802	1,403,802	437,819	1,365,781	38,021	0.1%
Third Party Payments (Contracted Services)	844,656	988,146	266,048	914,427	73,719	0.1%
Capital costs / leasing	4,643,389	4,643,389	299,715	4,579,984	63,405	0.1%
Contingency	250,000	250,000	0	0	250,000	0.4%
Income	-1,075,226	-1,075,226	-359,549	-1,121,696	46,470	0.1%
<b>CONTRIBUTION BUDGET 2017/2018</b>	<b>70,206,186</b>	<b>70,206,186</b>	<b>21,977,716</b>	<b>69,854,273</b>	<b>351,913</b>	<b>0.5%</b>
<b>Key</b>						
 Overspend						
 Underpend						





**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**FINANCE, AUDIT & PERFORMANCE**  
**MANAGEMENT COMMITTEE**  
**REPORT OF THE DEPUTY CHIEF OFFICER**

AGENDA ITEM NO 10  
 11 SEPTEMBER 17

**CAPITAL MONITORING REPORT 2017/18**

**SUMMARY**

The capital monitoring report provides detail of the capital budget for the year, capital transactions to date and a forecast position as at 31<sup>st</sup> March 2018.

**RECOMMENDATION**

That Members note the budget and progress of capital schemes, approve alterations identified in Appendix 1 and note the associated funding streams.

Members approve the energy efficiency projects outlined in paragraph 2.1.5 with funding to be drawn from the Change Management Reserve.

**1. BACKGROUND**

- 1.1 This report provides an explanation of changes since budget setting in December 2016. Appendix 1 illustrates 2016/17 budget slippage approved by Members, the 2017/18 budget, expenditure incurred to date, a forecast year end position and budget slippage into 2018/19.
- 1.2 In summary, the total available budget equates to £8.3 million, the forecast outturn position and slippage for the year is £5.1 million and £3.5 million respectively.
- 1.3 Appendix 1 provides a detailed breakdown of the schemes contributing to the aforementioned position together with the necessary financing arrangements. This following provides a narrative update in support of figures detailed in Appendix 1.

**2. ISSUES**

**2.1 Property**

**2.1.1 Land Acquisitions**

Suitable sites for South Cornelly or Pontypridd have not been identified to date and the Strategic Property Manager continues to monitor the market. A total budget of £750k has already been approved by members, although current market prices suggest this may only cover the cost of one site. If a site is found this financial year, only a portion of the budget will be required to cover initial fees to support a purchase the following year. In addition, only one

site purchase can be realistically undertaken at a time and it is unclear which of these will become available first.

2.1.2 As a result of the aforementioned uncertainties, any forecasts would be arbitrary and to this end forecasts are not included for this area.

## 2.2 Retained Duty Station Refurbishments

### 2.2.1 Monmouth

This is a shared location project between SWFRS, Gwent Police and Welsh Ambulance Service Trust (WAST). It is anticipated that £300k of costs will be incurred this year with the remaining £298k of budget being slipped into next year.

### 2.2.2 New Inn

Refurbishment works at New Inn station are due to commence with the total costs expected to be incurred this financial year to be £500k. This project is phased over two years with the remaining construction budget identified for 2018/19.

## 2.3 New Builds

### 2.3.1 Compartment Fire Behaviour Training Facility (CFBT)

This project has now passed the initial planning and design issues which delayed it last year. Of the total budget, it is expected that £500k of fees will be incurred this year. Due to procurement and final design schedules, no construction costs are expected to be incurred, and therefore £2.5 million is being carried forward.

## 2.4 Planned and Preventative

2.4.1 The total available budget for 2017/18 is £470k. It is expected that the majority of this will be used for internal refurbishment of the Barry station to accommodate the co-location of WAST. Discussions are ongoing regarding the level of funding WAST will contribute to the scheme.

## 2.5 Energy Efficiency Schemes

2.5.1 Following the successful installation of LED lighting at the Service Headquarters site, it is proposed to undertake a project to fit LED lighting at all Fire and Rescue Stations across the service portfolio. Initial calculations estimate the total project costs to be approximately £622,000. The installation of LED lights together with passive infra-red sensors for movement detection would

deliver energy cost savings of approximately £120,000 per annum. Therefore the payback period for investment in the project would be 5.2 years.

2.5.2 The Service currently has fourteen stations and the headquarters site linked to a boiler management system. It is proposed to install the system on a further twelve whole-time stations to enable energy monitoring and management to be taken centrally by the service property department. An investment of £132,000 would see annual energy savings of approximately £15,000 per annum giving a pay-back period of 9 years.

2.5.3 The air conditioning systems at the service headquarters are over seventeen year old and in a poor state of repair, operating at 20% of their capacity. The cost to replace the systems is approximately £300,000 which would deliver fit for purpose systems and energy savings of approximately £27,000 per annum.

2.5.4 The above energy schemes would be programmed over the next two financial years with approximately £400,000 of cost falling in the current year. As these project will deliver savings from the energy revenue budget it is proposed to utilise change management reserve funding to support the schemes.

## 2.6 **Vehicle Replacement Programme (VRP)**

### 2.6.1 Aerial Appliance

Delivery of the Aerial Appliance is expected in August 2017. Delivery was delayed from the previous year, and the £275k budget was carried forward.

### 2.6.2 Non-Operational 4WD

This ICT support vehicle was ordered last year and the budget slipped forward. Following negotiations with the supplier, an underspend of £4.5k is expected which could be used to fund the increase in the light vans budget.

### 2.6.3 Vans (light vehicles) and rescue boat

The forecast relates to 7 station based utility vans, and 2 callout fleet vehicles. These are all expected to be delivered this year. The quoted costs are £181k which exceeds the budget of £155k. As the rescue boat may not be needed this year due to operational needs, it is proposed that any underspend on that budget is used on the above vans.

#### 2.6.4 Water Ladders

The budget of £1.1 million relates to the purchase of 5 water ladders. It is expected that these will be produced and delivered by year end. The outstanding three units from 16/17 will also be completed before the year end.

### 2.7 **Equipment**

#### 2.7.1 Lightweight Personal Protective Equipment (PPE)

The only non-ICT equipment budget of £33k relates to the fit-out costs for the Community Safety Education Vehicle which was purchased in 2016/17.

### 2.8 **ICT**

#### 2.8.1 Business Information Management System (BIM)

The BIM project has progressed into this year, with the budget brought forward. £36k of the £126k budget can now be funded by revenue, and the remaining £90k is expected to be utilised this financial year.

#### 2.8.2 Finance/Procurement System

The remaining works on this project relate to the implementation of features to enable complete utilisation in the budget interface system, 'Collaborative Planning (CP), a module separate to the main finance system.

#### 2.8.3 HQ Backup Equipment

This project will help improve disaster recovery procedures. Due to resource limitations, only the urgently required components were installed last year. The remaining budget of £45k has been slipped forward in order to fully complete the project in this financial year.

#### 2.8.4 HR/Payroll System

Initially a collaboration project between SWFRS and Mid & West Wales Fire & Rescue Service (MWWFRS), however resourcing and design issues have led to MWWFRS not progressing any further development of the system. SWFRS will continue to use and develop the system and the £50k budget will be used during the year to launch new modules of the system.

#### 2.8.5 ICT Replacement Programme

The work is currently out to tender, with an expected project award in September 2017. Once awarded, it is expected that all

equipment in the budget will be purchased within the financial year.

#### 2.8.6 Service Desk System

The contract was awarded in March 2017, and the prior year budget slipped forward. This product will potentially allow other departments (such as Property, Business Support and Community Safety) to manage assets locally.

### 3 FINANCIAL IMPLICATIONS

- 3.1 Appendix 1 illustrates capital scheme details and is supported by paragraphs 2.1 to 2.4 above. The total available budget of £8.3 million, compared to the forecast investment costs of £5.1 million, resulting in £3.5 million of slippage to 2018/19.
- 3.2 The schedule of financing capital investment is also illustrated in Appendix 1.

### 4. EQUALITY RISK ASSESSMENT

- 4.1 There are no equality implications resulting directly from this report. Each element of the capital programme will have undergone Equality risk assessments by the responsible project lead, prior to the commencement of the scheme.

### 5. RECOMMENDATION

- 5.1 That Members note the progress of the capital schemes, approve alterations identified in Appendix 1 and note the associated funding streams.
- 5.2 Members approve the energy efficiency projects outlined in paragraph 2.1.5 with funding to be drawn from the Change Management Reserve.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	Revenue & Capital Budget Determination Report Capital Monitoring working papers 2017/18 Budget Holder Reports



CAPITAL PROGRAMME 2017/18								APPENDIX 1
	SLIPPAGE B/F 2016/17 £000	2017/18 BUDGET £000	ACTUAL AS AT 08.08.17 £000	COMMITTED AS AT 07.08.17 £000	OUTTURN POSITION 31.03.18 £000	BUDGET UNDER/(OVER) SPEND £000	SLIPPAGE C/F 2018/19 £000	
<b>PROPERTY</b>								
<b>LAND ACQUISITIONS</b>								
PONTYPRIDD	425	0	0	0	0	0	425	
SOUTH CORNELLY	325	0	0	0	0	0	325	
<b>STATION REFURBISHMENTS</b>								
MONMOUTH	598	0	0	0	300	0	298	
NEW INN	0	500	3	7	500	0	0	
<b>NEW BUILDS</b>								
CFBT FACILITY CARDIFF GATE	499	2,500	1	25	500	0	2,499	
PLANNED & PREVENTATIVE MAINT	470	0	0	232	500	-30	0	
ENERGY EFFICIENCY SCHEMES	0	0	0	0	400	-400	0	
	<b>2,317</b>	<b>3,000</b>	<b>4</b>	<b>264</b>	<b>2,200</b>	<b>-430</b>	<b>3,547</b>	
<b>VEHICLES</b>								
AERIAL APPLIANCES	275	0	224	0	275	0	0	
NON-OPERATIONAL 4WD	23	26	23	0	22	28	0	
VANS (LIGHT VEHICLES)	43	155	40	116	181	17	0	
RESCUE BOAT	0	45	0	0	45	0	0	
WATER LADDERS	671	1,150	1,115	0	1,821	0	0	
	<b>1,012</b>	<b>1,376</b>	<b>1,402</b>	<b>116</b>	<b>2,344</b>	<b>45</b>	<b>0</b>	
<b>EQUIPMENT - ORM</b>								
CS EDUCATION VEHICLE	0	33	0	38	33	0	0	
	<b>0</b>	<b>33</b>	<b>0</b>	<b>38</b>	<b>33</b>	<b>0</b>	<b>0</b>	
<b>EQUIPMENT - ICT</b>								
BIM SYSTEM	126	0	79	0	90	36	0	
FINANCE/PROCUREMENT SYSTEM	21	0	0	21	21	0	0	
HQ BACKUP EQUIPMENT	45	0	0	0	45	0	0	
HR/PAYROLL SYSTEM	50	0	0	0	50	0	0	
ICT REPLACEMENT PROGRAMME	0	55	41	0	55	0	0	
SERVICE DESK SYSTEM	50	0	19	74	50	0	0	
STATION SWITCHES	0	0	0	0	0	0	0	
HQ SWITCH REPLACEMENT	0	200	0	0	200	0	0	
	<b>292</b>	<b>255</b>	<b>139</b>	<b>96</b>	<b>511</b>	<b>36</b>	<b>0</b>	
<b>TOTAL</b>	<b>3,621</b>	<b>4,664</b>	<b>1,545</b>	<b>513</b>	<b>5,088</b>	<b>-350</b>	<b>3,547</b>	
					<b>FUNDING</b>			
					BORROWING	4,488		
					REVENUE CONTRIBUTION	200		
					REVENUE RESERVES	400		
						<b>5,088</b>		





**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE TREASURER

AGENDA ITEM NO 11  
11 SEPTEMBER 2017

**2016/17 ANNUAL TREASURY MANAGEMENT REVIEW**

**SUMMARY**

To consider the results of Treasury Management activities for the year ending 31 March 2017, in accordance with the Authority's approved Treasury Management Strategy.

**RECOMMENDATION**

That the Finance, Audit & Performance Management Committee recommend the Fire & Rescue Authority note the Annual Treasury Management Review for 2016/17 and approve the actual 2016/17 prudential and Treasury Indicators set therein.

**1. BACKGROUND**

1.1 There exists a statutory and regulatory obligation for the Authority to comply with the reporting requirements detailed in Appendix 1. An 'Annual Treasury Management Review Report' is required to be presented to full Authority as soon after the close of the financial year as is practicable or by the 30 September at the latest. The purpose of this is to compare the actual 2016/17 position to the treasury management strategy set in advance of the year to confirm or otherwise, compliance and assess performance.

**2. ISSUE**

2.1 Effective treasury management can be measured by its budget impact i.e financing costs and investment income, organisational solvency and cash flow.

2.2 The Authority receives annual bank deposits in the region of £75 million throughout the year. In general, monthly bank payments fall between £5 – 8 million and are dependant on various factors. The timing of these cash flows can be uncertain and as such, it is imperative that the flow of cash in and out of Authority bank accounts is managed to support budget strategies and minimise risk.

2.3 The Authority contracts with 3 banking providers, i.e. Barclays, Lloyds and Natwest. The main banking contract was awarded to Barclays in November 2014. Lloyds and Natwest provide a contingency service to manage funds surplus to the counter party limits set by Members within the strategy.

### 3. FINANCIAL IMPLICATIONS

#### 3.1 Borrowing Outturn

The Authority maintains a competitive, average debt book rate of approx 4%. The current borrowing strategy is to utilise the Authority's cash reserves in the first instance and to undertake external borrowing only to ensure sustainable efficiencies in the revenue budget.

#### 3.2 Investment Outturn

Despite the above borrowing strategy, external investments have increased during the year due to delays in capital investment (details contained in capital monitoring report). Cash balances have been maintained in higher earning accounts and investment returns exceeded budgeted income levels.

The rates of return on call accounts at the end of March were 0.25% with Barclays and 0.60% with Lloyds. Rates are reviewed periodically and subject to change in accordance with contract terms and conditions. The Bank of England base rate remained at 0.25% and remains the source of dismay for those looking to invest although the upside is that borrowing remains cheap in the short to medium term.

### 4. EQUALITY RISK ASSESSMENT

4.1 There are no equality implications resulting directly from this report.

### 5. RECOMMENDATION

5.1 That the Finance, Audit & Performance Management Committee recommend the Fire & Rescue Authority note the annual treasury management review for 2016/17 and approve the actual 2016/17 prudential and treasury indicators set therein.

Contact Officer:	Background papers:
Chris Barton Treasurer	<ul style="list-style-type: none"> <li>- CIPFA Code Treasury Management</li> <li>- CIPFA Prudential Code</li> <li>- Treasury Management Strategy</li> <li>- Treasury Management Practices (TMP's)</li> </ul>

## Annual Treasury Management Review 2016/17

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### 1. Introduction

The Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2016/17 the minimum reporting requirements were that the full Authority should receive the following reports:

- an annual treasury strategy in advance of the year (Authority 14/03/2016)
- a mid-year (minimum) treasury update report (Authority 19/12/2016)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by members.

The Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance Audit and Performance Management Committee before they were reported to the full Authority.

### 2. The Economy and Interest Rates

The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In

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addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.

### 3. Overall Treasury Position as at 31 March 2017

At the beginning and the end of 2016/17 the Authority's treasury (excluding

borrowing by PFI and finance leases) position was as follows:

TABLE 1	31 March 2016 Principal		31 March 2017 Principal	
<b>Total debt</b>	<b>£39.133m</b>		<b>£ 37.225m</b>	
<b>CFR</b>	<b>£45.810m</b>		<b>£44.338m</b>	
<b>under borrowing</b>	<b>£6.677m</b>		<b>£7.113m</b>	
<b>Total investments</b>	<b>£1.752m</b>		<b>£14.488m</b>	
<b>Net debt</b>	<b>£37.381m</b>		<b>£22.737m</b>	

#### 4. The Strategy for 2016/17

The expectation for interest rates within the treasury management strategy for 2016/17 anticipated low but rising Bank Rate, (starting in quarter 1 of 2017) and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

During 2016/17 there was major volatility in PWLB rates with rates falling during quarters 1 and 2 to reach historically very low levels in July and August, before rising significantly during quarter 3, and then partially easing back towards the end of the year.

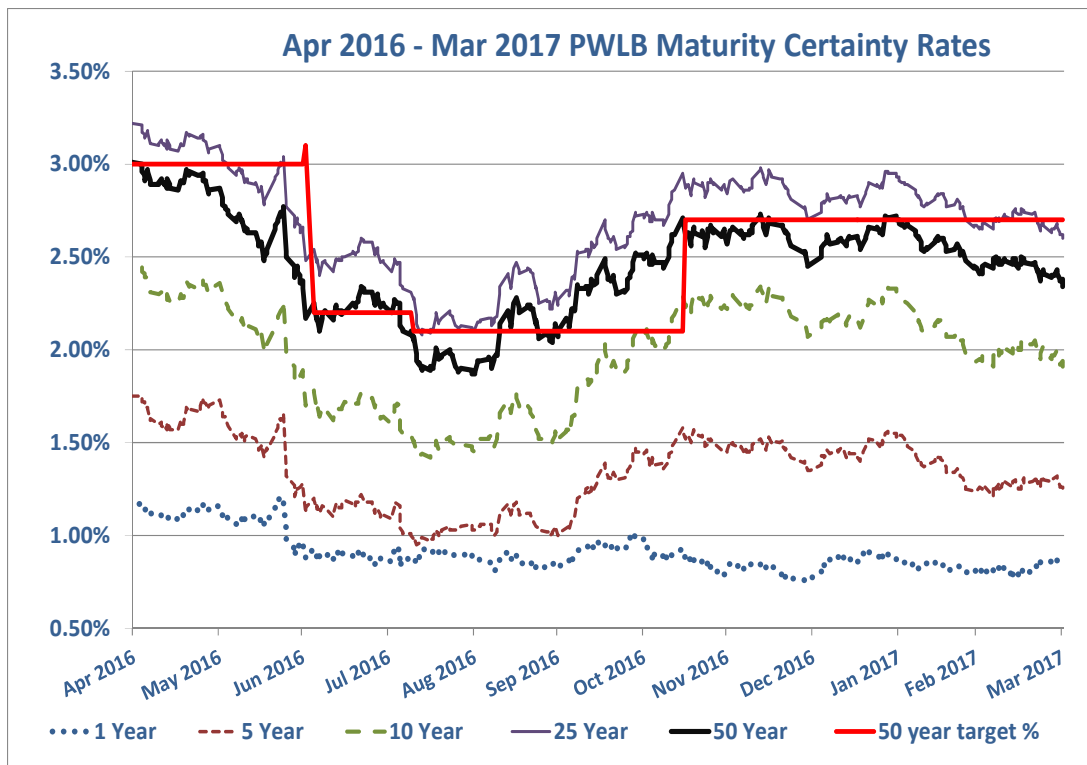
#### 5. The Borrowing Requirement and Debt

The Authority's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

	31 March 2016 Actual	31 March 2017 Budget	31 March 2017 Actual
CFR	£45.810m	£49.945m	£44.338m

## 6. Borrowing Rates in 2016/17

**PWLB certainty maturity borrowing rates** - the graph below shows how PWLB certainty rates have fallen to historically very low levels during the year.



## 7. Borrowing Outturn for 2016/17

### Borrowing

No borrowing was undertaken during the year.

### Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## Repayments

The normal repayment of debt principal during the year was £1.9m, no early repayment of debt was made.

### 8. Investment Rates in 2016/17

After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.

### 9. Investment Outturn for 2016/17

**Investment Policy** – the Authority's investment policy is governed by Welsh Government guidance, which has been implemented in the annual investment strategy approved by the Authority on 14 March 2016. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

### Investments held by the Authority

Interest on short term investments amounted to £68,472 (£57k in 2015/16), against the budgeted assumption of £50k investment income. The average

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rate of return for 2016/17 was 0.51% compared with the average of 0.7% achieved in 2015/16. The comparable performance indicator is the average 7-day LIBID rate which was 0.20% un compounded for 2016/17.

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## Prudential and treasury indicators

<b>1. PRUDENTIAL INDICATORS</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2016/17</b>
<b>Extract from budget and rent setting report</b>	<b>actual</b>	<b>original</b>	<b>actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>	<b>5,153</b>	<b>7,805</b>	<b>2,473</b>
<b>Ratio of financing costs to net revenue stream</b>	<b>6.03%</b>	<b>7.85%</b>	<b>6.29%</b>
<b>Gross borrowing requirement General Fund</b>	<b>£'000</b>		<b>£'000</b>
brought forward 1 April	40,241		39,133
carried forward 31 March	39,133		37,231
in year borrowing requirement	794		0
Repayment of principal during the year	(1,902)		(1,902)
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>CFR</b>	<b>45,810</b>	<b>49,945</b>	<b>44,338</b>
<b>Annual change in Cap. Financing Requirement</b>	<b>355</b>	<b>4,135</b>	<b>1,472</b>

<b>2. TREASURY MANAGEMENT INDICATORS</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2016/17</b>
	<b>actual</b>	<b>original</b>	<b>actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt</b>			
borrowing	£52,000	£53,000	£53,000
other long term liabilities	£10,000	£20,000	£20,000
<b>TOTAL</b>	<b>£62,000</b>	<b>£73,000</b>	<b>£73,000</b>
<b>Operational Boundary for external debt</b>			
borrowing	£50,000	£50,000	£50,000
other long term liabilities	£10,000	£10,000	£10,000
<b>TOTAL</b>	<b>£60,000</b>	<b>£60,000</b>	<b>£60,000</b>
<b>Actual external debt</b>	<b>£44,644</b>	<b>£48,332</b>	<b>£42,388</b>
<b>Upper limit for fixed interest rate exposure</b>			
Net principal re fixed rate borrowing / investments	100%	100%	100%

<b>Upper limit for variable rate exposure</b>			
Net principal re variable rate borrowing / investments	0%	0%	0%
<b>Upper limit for total principal sums invested for over 364 days</b>	10,000	10,000	10,000

<b>Maturity structure of fixed rate borrowing during 2016/17</b>	upper limit	lower limit
under 12 months	25%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	70%	0%
10 years and within 20 years	95%	0%
20 years and within 30 years	95%	0%
30 years and within 40 years	95%	0%
40 years and within 50 years	95%	0%



**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**FINANCE, AUDIT & PERFORMANCE**  
**MANAGEMENT COMMITTEE**  
**REPORT OF THE TREASURER**

AGENDA ITEM NO 12  
 11 SEPTEMBER 2017

**MEDIUM TERM FINANCIAL STRATEGY (MTFS) AND RESERVES STRATEGY UPDATE**

**SUMMARY**

The report includes an update of the Medium Term Financial Strategy of the Authority together with its reserve strategy.

**RECOMMENDATION**

That the Finance, Audit & Performance Management Committee (FAPM) note and agree the report content.

**1. BACKGROUND**

- 1.1 The Authority operates a Medium Term Financial Strategy and Reserves Strategy which provides a backdrop to the planning of resource allocation and spending. This report presents the current strategy (attached at Appendix 1) and identifies some of the major issues facing the Authority.

**2. ISSUES**

- 2.1 The most fundamental challenge within all public sector financial strategies at present is the ongoing uncertainty around austerity and the extent to which public services can, need to be and will be funded. The Strategy includes the historical pattern of spending and budget reductions throughout the current economic downturn.
- 2.2 It is difficult to obtain any certain medium term forecasts of available funding or budgets from central government and along with this, there is also no commitment to fund potential increases in demand on the Service.
- 2.3 The current debate around public sector pay is a prime example of pressure on spending which is likely to exceed the current projections for public spending.
- 2.4 The Authority set out its Reserve Strategy against the background of austerity and has continued to plan on the basis of:
- Maintaining reserves as a buffer to financial risk and challenge
  - Investment of reserves where it reduces ongoing budget pressures
  - Investment of reserves in projects which improve the service

- 2.5 The Authority has previously stated that it will not use reserves to effectively operate a budget deficit as this is not a sustainable plan of action. A key part of the Strategy has been to avoid requesting additional monies from constituent councils during any financial year and to keep downward pressure on the Service's financial requirements.
- 2.6 This aim has been achieved with the Authority achieving an underspend in most financial years and restraining the budget to the same cash level it was in 2008/09.
- 2.7 The Strategy, attached at Appendix 1 identifies the operational context in which the financial management of the Authority takes place and sets out the challenges, risks and responses which are relevant.

### **3. BUDGET TIMETABLE**

- 3.1 The Authority has in recent years sought to set its revenue budget requirement at the December meeting of the Fire & Rescue Authority with a consultation period prior to that meeting. This was seen as advantageous to the constituent councils in terms of their budget planning cycles.
- 3.2 Welsh Government has indicated its intention to set its budget in early October this year with draft local government settlements available in October.
- 3.3 It is therefore appropriate for the Fire & Rescue Authority to again consider setting its budget in December assuming all other factors support this timing. There are a number of risks, particularly around pay settlements, which may need to be considered prior to approving the 2018/19 budget.
- 3.4 In order to work towards this approval, the following meetings will consider relevant information:

Date	Meeting	Consideration
11 Sep 2017	FAPM Committee	MTFS and Reserves Strategy and Timetable
25 Sep 2017	Fire & Rescue Authority	MTFS
9 Oct 2017	Finance, Asset & Performance Management Working Group	Revenue Budget Preparation and Assumptions
13 Nov 2017 – 4 Dec 2017	Consultation Period	
4 Dec 2017	FAPM Committee	Draft Revenue Budget and Consultation Feedback
18 Dec 2017	Fire & Rescue Authority	Revenue Budget Approval

#### 4. FINANCIAL IMPLICATIONS

4.1 Details of the financial projections are included within the Strategy.

#### 5. EQUALITY RISK ASSESSMENT

5.1 There are no equality implications resulting directly from this report. Each significant change in the Authority's budgets will undergo equality and diversity risk assessment by the responsible budget holder as part of the budget planning process.

#### 6. RECOMMENDATION

6.1 That the Finance, Audit & Performance Management Committee note and agree the report content.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance and Procurement	





## Appendix 1

# Medium Term Financial Strategy 2017/18 – 2021/22

July 2017

## Contents

About SWFRS .....	3
Service and Incident Profile .....	3
Strategic Plan .....	3
Key Achievements.....	4
Financial Context.....	4
The UK Context .....	4
Wales.....	5
Unitary Authority Funding .....	5
Current Cost & Budget Structure.....	5
Revenue Budget.....	5
SWFRS Revenue funding.....	6
Forecast Cost Changes .....	7
Inflation.....	7
Pay.....	7
Pensions .....	7
Service Demand .....	7
Capital Financing Costs (Debt repayments and interest) .....	8
Specific Projects .....	8
Forecast Funding Changes .....	8
National Funding Changes .....	8
Welsh Local Authority Settlement Funding Assessment .....	9
Grants and other Funding Streams.....	10
Estimated Budget Gap .....	10
Medium Term Financial Plan .....	11
Finance and Efficiencies.....	11
Fire Cover Reviews.....	12
Shaping our Future Programme.....	12
Accounting Measures .....	12

Reserves Policy.....	12
General Reserves .....	12
Earmarked Reserves.....	13
Treasury Management Strategy .....	13
Asset Management Plan .....	14
Capital Programme .....	14
Collaboration.....	15
National Issues Committee and Welsh Government (NIC).....	15
Partnership with other ‘blue light’ services .....	15
Partnership with local authorities and the third sector.....	16
Workforce Strategy .....	16
Risk Management .....	16
Risk Management Framework .....	16
Financial Risks .....	17

## About SWFRS

South Wales Fire and Rescue Service is one of three Fire and Rescue Services in Wales and is one of the largest fire and rescue service areas within the UK.

### Service and Incident Profile

The Service is coterminous with the ten unitary authorities in South and South East Wales, covering an area of 2,800 square kilometres of rural, coastal and urban areas. The Service serves a population of over 1.5 million.

The Service operates out of an HQ, Training Centre and 47 Fire Stations some of which are permanently crewed and others crewed by on-call firefighters. The Service has 338 operational vehicles including fire appliances, off road vehicles, light vehicles and boats. The service took 35,381 emergency calls last year, responding to 17,315 incidents of which a third were fires. Of these fires, around 70% were deliberately started. Besides fires, the Service also responds to road traffic collisions, flooding and water rescues, animal rescues, medical emergencies and environmental incidents.

The Service proactively seeks to reduce risk mainly through information and engagement activities. Last year, 19,916 home fire safety checks were undertaken and 47,408 children and young people were met face to face as part of educational and engagement events. As a result of this activity, the Service has been successful in significantly reducing the number of fires over recent years.

### Strategic Plan

South Wales Fire and Rescue Service's vision is set out in our strategic plan for 2017-22. This Medium-Term Financial Strategy underpins that vision.

The plan outlines the strategic direction over the five year period and explains how the Service intends to meet its challenges in order to continue to deliver a high quality service that meets the needs of our communities. The long-term strategic Themes and shorter term Priority Actions within the Plan will enable South Wales Fire and Rescue Service to not only deliver a sustainable service but also support our partners in the wider public sector.

The Service's vision remains the key focus; "making South Wales safer by reducing risk." The Service recognises that safer communities can only be achieved by challenging and improving the way it works, through a safe and competent workforce and by effectively managing its resources.

At times of austerity, there is a temptation to concentrate on costs and reduced budgets with no regard to the quality of services delivered. However, the Service has made the decision to concentrate on how improvements can be made with the strongly held belief that efficiencies and savings will result. The key strategic themes are

Key Strategic Theme	Resource impact
Reducing the number of deliberate fires	Reducing fires reduces the need for response and the impact such incidents can have in the wider community
Undertaking engagement to obtain views on service delivery, risk and priorities	Engagement ensures that resources are used on what matters to the public
Ensuring that we attract, develop and retain a suitably resilient workforce that reflects our communities and is capable of delivering services	An effective workforce delivers efficient and effective services
Ensuring ICT systems and services are available to	ICT systems underpin many of the services we provide

enable efficiency and support service delivery.	and speed up business processes
Working with others to be more efficient and effective	Partnership can avoid duplication or waste

This financial strategy sets out the approach and identifies how the Service intends to plan and manage its resources in the light of the Government's continued downward pressure on public sector spending. It also focuses on how the Service will remain viable and respond to the various risks and pressures which it will face.

### Key Achievements

The Service has been successful in significantly reducing the number of fires and fire related deaths and injuries over recent years. For example, between 2011/2012 and 2016/2017, fires reduced by 33.82%. This has been achieved against a background of reducing resources whilst at the same time, maintaining fire cover and continuing the standards of service expected by the public of South Wales.

### Financial Context

Fire and Rescue is a devolved function and Welsh Government therefore have national oversight of the service. The South Wales Fire & Rescue Service is one of three Fire and Rescue Services operating in Wales. That said, both the national UK environment and devolved Welsh Government impact on the finances and operations of the Service.

### The UK Context

The Service's financial position is impacted by the wider global economy and this strategic plan is written in this context. However, the Service cannot accurately predict or influence these factors and therefore has to plan on the basis of the best information available to it.

The International Monetary Fund judges that the outlook for growth has improved in advanced economies however, uncertainty around the global outlook is heightened at present, associated among other things, with policy and political risks. UK Government policy on spending has been the key determinant which has set the scene for resources in the UK public sector.

The latest spending review of the UK Government set out parameters for public spending over the medium term. There was no move away from the austerity measures which were being pursued to remove the budget deficit. In his spring budget of 2017, the Chancellor outlined the following:

- Ensure the UK lives within its means maintaining discipline on public spending
- Reduce the structural deficit to less than 2% of GDP and get debt falling as a percentage of GDP by 20/21
- Forecast CPI inflation will increase to 2.4% in 2017 before falling back to 2.3% in 2018 and 2.0% from 2019 onward
- Forecast RPI inflation will increase to 3.7% in 2017 before falling back to 3.6% in 2018 and 3.1% from 2019 onward

Significant uncertainty remains about the short and long term financial effects of "Brexit" and the election result in June has raised questions over the extent to which the austerity approach will be maintained.

## Wales

Overall spending limits set in Westminster determine the Barnett Formula consequential for resources in Wales each year. In the latest budget, the forecast spending limits showed:

- Wales Departmental Resource Budget as £13.4bn in 17/18 and 18/19 and £13.5bn in 19/20
- Wales Departmental Capital Budget as £1.7bn in 17/18, £1.8bn in 18/19 and £1.9bn in 19/20

These limits and the budget agreed by Welsh Government impact the funding of unitary authorities (which in turn meet the costs of Fire and Rescue Services) together with community safety and other sector specific initiatives which are directly funded through specific grants and contributions.

## Unitary Authority Funding

Unitary authorities contribute to the Fire & Rescue Service budget and in consequence, their funding settlement is relevant to the Service. In recent years, the trend in reducing public expenditure has resulted in downward pressure in the un-hypothecated grant resources distributed to unitary authorities.

## Current Cost & Budget Structure

The starting point for any Financial Strategy is to understand the cost base of the Service.

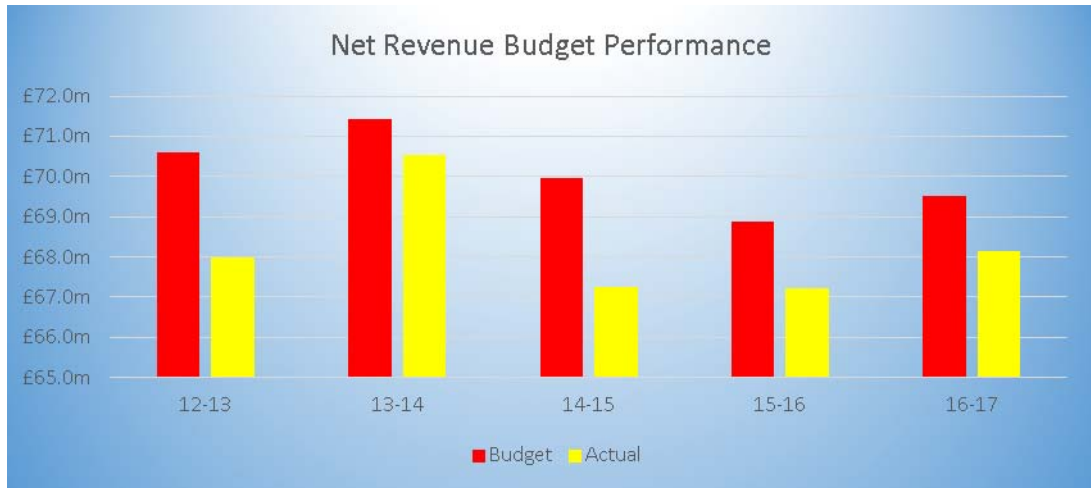
### Revenue Budget

The Service's net annual revenue budget in 2017/18 is around £70.2m, the equivalent of less than £50 for each resident of South Wales. It equates to 0.5% of the total public service spending in Wales each year.

The table below shows the breakdown of the annual budget in 2017/18

	<b>£000</b>
Employees	46,670
Indirect Employee costs	8,062
Premises	4,445
Training	1,517
Supplies & Services	3,445
Transport	1,404
Contracted Services	845
Capital Financing	4,643
Other	250
<b>Gross Budget</b>	<b>71,281</b>
Income	-1,075
<b>Net Budget</b>	<b>70,206</b>

The following chart shows the movement in the net revenue budget since 2008/09 together with the actual spend for each year.



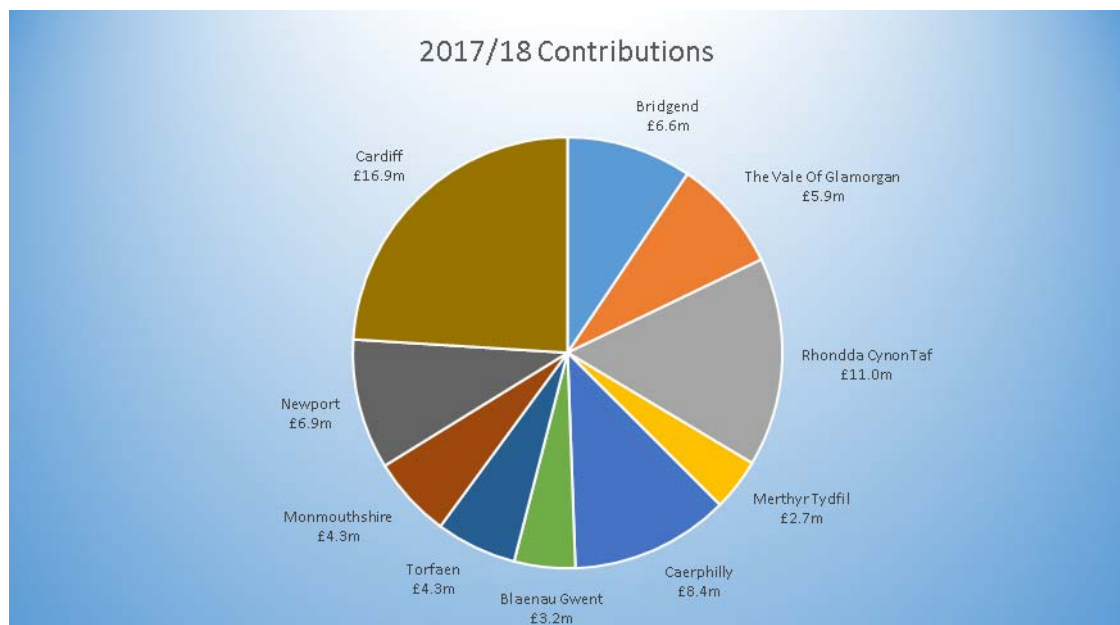
The Service has proactively managed to stay within its budget every year despite numerous challenges to its operations including a sustained period of industrial action. Surpluses generated from the revenue budget are utilised to invest in Service Improvement, asset renewal and efficiency projects which in turn keeps the requirement for annual funding at a lower level than would otherwise be the case.

An analysis of the outturn consistently reveals that staffing budgets are underspent particularly in the retained and whole time firefighter categories. This stems from an ongoing struggle to recruit, train and retain sufficient numbers of staff whilst at the same time losing experienced firefighters to retirement and other full time employment.

### SWFRS Revenue funding

By virtue of the 1995 Fire Combination Orders, Fire and Rescue Services in Wales are funded from contributions made by constituent unitary authorities within their area. Each year, the Fire and Rescue Service determines its budget requirement and notifies each constituent council of its contribution. Contributions are proportionately split based on population.

The current distribution of funding in South Wales is show below.



## Forecast Cost Changes

There are a number of known factors which impact the cost base of the Authority. The main categories are outlined below.

### Inflation

The financial strategy includes inflation where this is a contractual obligation but assumes that the majority of other spending is cash-limited. The exceptions include items where prices are generally more volatile than CPI such as vehicle fuel, energy costs and insurance premiums where specific allowances are made. Total inflation of £1.2m is assumed between 2017/18 and 2022/23. An anticipated 2% rise in fees and charges is also built in.

### Pay

The Authority is part of the collective bargaining arrangements for 'grey book' (fire fighters) and 'green book' (non-uniformed) employees and therefore implements respective national pay awards as part of its pay policy arrangements. The Authority abides by the statutory Minimum and Living Wage legislation. The cost of pay inflation (including related pension overheads) over the period of the strategy is £4.5m. This is currently assessed with reference to the public sector pay cap imposed by central government. There has been much speculation recently about whether wage increases will be constrained within this cap in the future and it is unclear whether additional funding would be forthcoming if the cap was not adhered to. For the purposes of the projections in this strategy, assumptions have been made based on existing pay offers and / or the existing pay cap. This situation will be monitored on an ongoing basis.

### Pensions

The Authority operates a number of pension schemes for the benefit of its employees and makes employer contributions to each. Uniformed staff are eligible to join the national Fire Fighters' Pension Scheme (FFPS) and non-uniformed employees are eligible to join the Local Government Pension Scheme (LGPS). The schemes are administered by Rhondda Cynon Taf County Borough Council on behalf of the Authority. Employees are automatically enrolled in the relevant scheme unless they opt out.

Regular actuarial valuations are carried out to determine employer contribution rates to the Schemes. The LGPS is a funded scheme unlike the FFPS which is unfunded and underwritten by Welsh Government.

- The LGPS employers' pension contribution rate is currently 15.2% of gross pensionable pay. The strategy assumes that further provision will have to be made in future years to address the existing pension fund deficit. An increase to 16.3% Employer's contribution has been included into the forecast.
- The FFPS employers' pension contribution rates vary as there are three schemes in operation. Rates are currently between 11% and 21% of gross pensionable pay. The strategy assumes that Welsh Government will continue to fund any scheme deficit over and above the employee and employer contributions.

### Service Demand

The strategy recognises that there is an increasing population trend in South Wales particularly within the urban areas of Cardiff and Newport. Pressures on the Authority's services will increase as a result of this and other factors.

According to Welsh Government statistical modelling, the population of South Wales has grown by around 6.5% in 10 years and growth forecasts are assumed to continue at a steady rate. This rate

includes disproportionate increases in certain at risk groups such as the elderly. As demographics change, the need for fire cover and other rescue services change.

An average growth in population of around 0.66% per annum is not reflected in an annual need to increase expenditure. However, the Authority's cost base may eventually need a step change in response to overall demand. Such changes are traditionally dealt with through ongoing reviews of fire cover and other necessary service provision.

Environmental and legislative changes also drive the demand for services in areas such as flooding, wild fires, road traffic collisions and bariatric rescue. The Authority's partnership arrangements also result in an increased number of service calls such as co-responding to medical emergencies. The current climate of terror related incidents also demands a significant training and response capability in the fire service. These specific areas are considered in terms of budget provision as and when spending pressures crystallise.

### Capital Financing Costs (Debt repayments and interest)

The strategy includes an increase in the Authority's estimated capital financing costs of £0.2m reflecting the approved capital programme. This programme together with the Treasury Management Strategy of the Authority determines the principal debt repayments and interest costs which will fall on the revenue budget. The programme includes a range of investments aimed at maintaining, renewing and supplementing the Authority's assets to achieve its strategic objectives. Affordability is a key component of the capital programme.

The Authority does not receive separate funding for capital borrowing costs and as such, all borrowing costs must be met from its core revenue budget.

### Specific Projects

The nature of the Fire & Rescue Service entails participation in collaborative regional and national initiatives, some of which are sponsored by central government. Changes to the costs and funding within these projects can impact the budget of the Authority. One particular project is currently being monitored in this regard.

- Emergency Services Mobile Communications Platform (ESMCP) is a project aimed at rolling out a new Emergency Service Network (ESN) across the UK. Currently Welsh Government supports the cost of this network in Wales through financial contributions. This equates to around £0.6m per annum in South Wales. The project aims to not only modernise and improve the network but also to reduce ongoing costs. Until the future cost of the ESN is known for certain, the financial impact of the project is uncertain.

## Forecast Funding Changes

Both national and local changes to funding can affect the Service's income streams.

### National Funding Changes

The Government's policy direction shows a continued reduction in public spending and likely downward pressure on sector spending both at a Wales and local government level. That said, the scale of the reductions is less certain. Recent analysis of public sector spending in Wales has shown real terms reductions but not necessarily cash reductions in the medium term.

In its September 2016 paper "Welsh budgetary trade-offs to 2019–20", the Institute of Fiscal Studies (IFS) outlines various scenarios for the Welsh Government Budget but concludes that with no major



changes in current economic forecasts and policy, Welsh Government could be looking at a 3.2% real terms reduction between 2016/17 and 2019/20.

Clearly in the light of the May 2017 election result and Brexit, it is almost impossible to make meaningful assumptions beyond this steady state position.

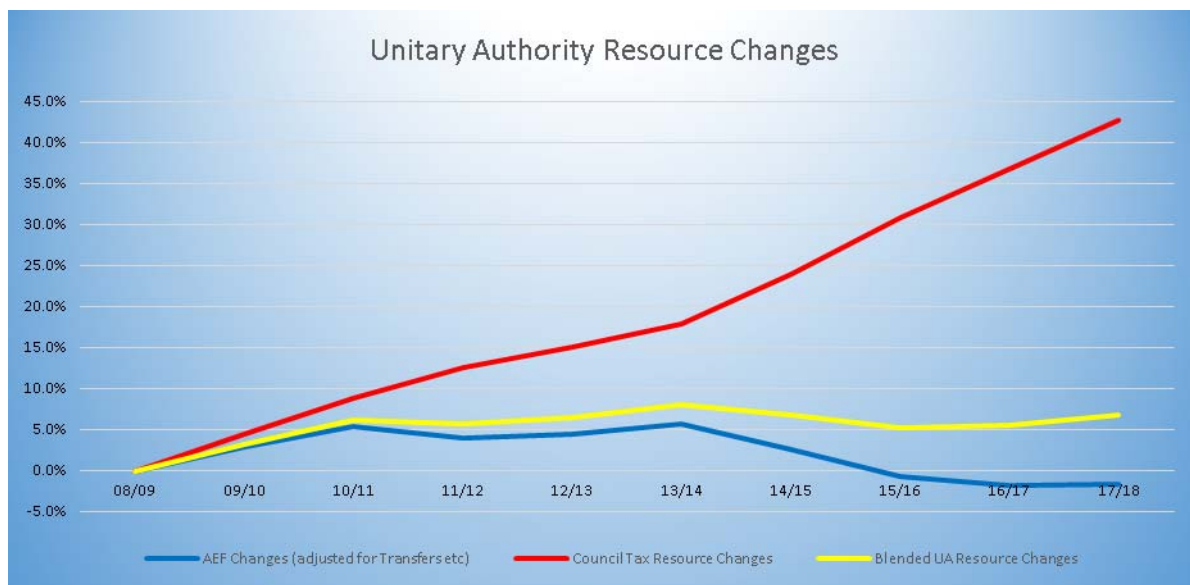
### Welsh Local Authority Settlement Funding Assessment

The outcome of the budget decisions of Welsh Government in terms of health, social care and education will be major determining factors given the relative size of those budgets. The IFS publication went on to examine a range of scenarios for local government based on what protection may or may not be afforded to key services in Wales.

The projection indicates a range of between 4% and 11% real terms reductions over the three year period determined mainly by the protection afforded to the NHS in Wales. This translates to a cash position of around +2% to -5%. In 2017/18, Welsh Government announced a 0.2% cash increase in external funding to Local government.

Aside from external funding from Welsh Government, Unitary authorities also have revenue raising powers through council tax which they can use to fund local services. The Office of Budget Responsibility forecasts 4% increase in council tax revenues which mirrors the increases seen over the austerity period in South Wales.

The chart below shows the historical changes in unitary authority funding within South Wales.



Based on the IFS published numbers and the historical patterns of local taxation, the range of settlements for local government in cash terms could be as follows:-

	2018/19	2019/20	2020/21	2021/22
Best Case	+1.72%	+1.89%	+1.00%	+1.00%
Worst Case	-0.84%	-0.74%	-1.00%	-1.00%

Beyond 2019/20 there are no projections on which to base assumptions around funding. Previous practice has been to assume a nominal change in settlement in respect of such periods.

## Grants and other Funding Streams

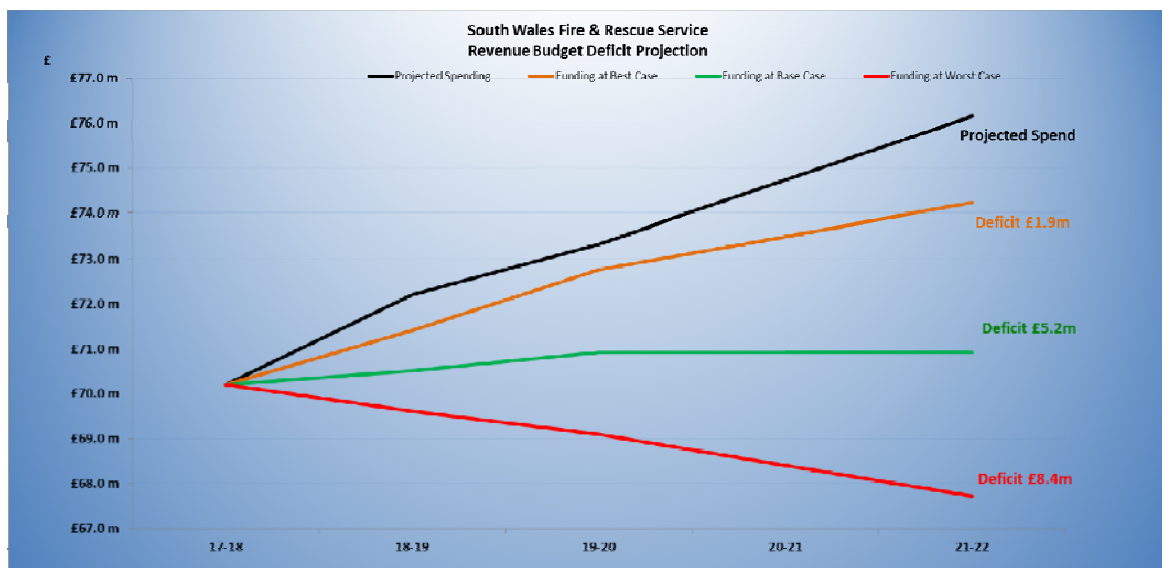
As Welsh Government departments have seen their own budgets cut, there has been a regular trend of reductions or withdrawals of specific grant funding streams. The Service has seen these cuts already in the Community Safety initiatives it operates.

Given the trend and commentary to date on grant funding, it is reasonable to assume that these funding sources may be further withdrawn over the medium to longer term however, in advance of any announcements, it would be wrong to assume such reductions yet. The table below outlines the grants and contributions currently in payment together with the basis of forecasts.

Grant	2017/18 £	Received from	Forecast Basis
COMMUNITY SAFETY	464,713	WG	Continue - cash flat profile
COMMUNITY SAFETY	30,040	GWENT POLICE	Continue - cash flat profile
NATIONAL RESILIENCE/USAR	1,397,922	WG	Continue - cash flat profile
FIRELINK	632,109	WG	Continue - cash flat profile short term until ESMCP implemented
CROWN PREMISES INSPECTOR	60,000	WG	Continue - cash flat profile
PENSION TOP UP GRANT	TBC	WG	Continue – excess funding required met in full by WG
PFI	1,160,690	WG	Pre-defined grant profile
MTFA	TBC	WG	Continue - cash flat profile
WATER EQUIPMENT	350,000	WG	One off - discontinued
<b>TOTAL FUNDING 17/18</b>	<b>4,095,474</b>		

## Estimated Budget Gap

The graph below sets out the Service's estimated budget gap throughout the period of the Strategy. It includes a range of certainty around the extremes of the assumptions included in the plan.



	17-18	18-19	19-20	20-21	21-22	Deficit	
Projected Spending	£70.2 m	£72.2 m	£73.3 m	£74.7 m	£76.1 m		
Best Case		£71.4 m	£72.8 m	£73.5 m	£74.2 m	£1.9 m	2.7%
Base Case		£70.5 m	£70.9 m	£70.9 m	£70.9 m	£5.2 m	7.4%
Worst Case		£69.6 m	£69.1 m	£68.4 m	£67.7 m	£8.4 m	12.0%

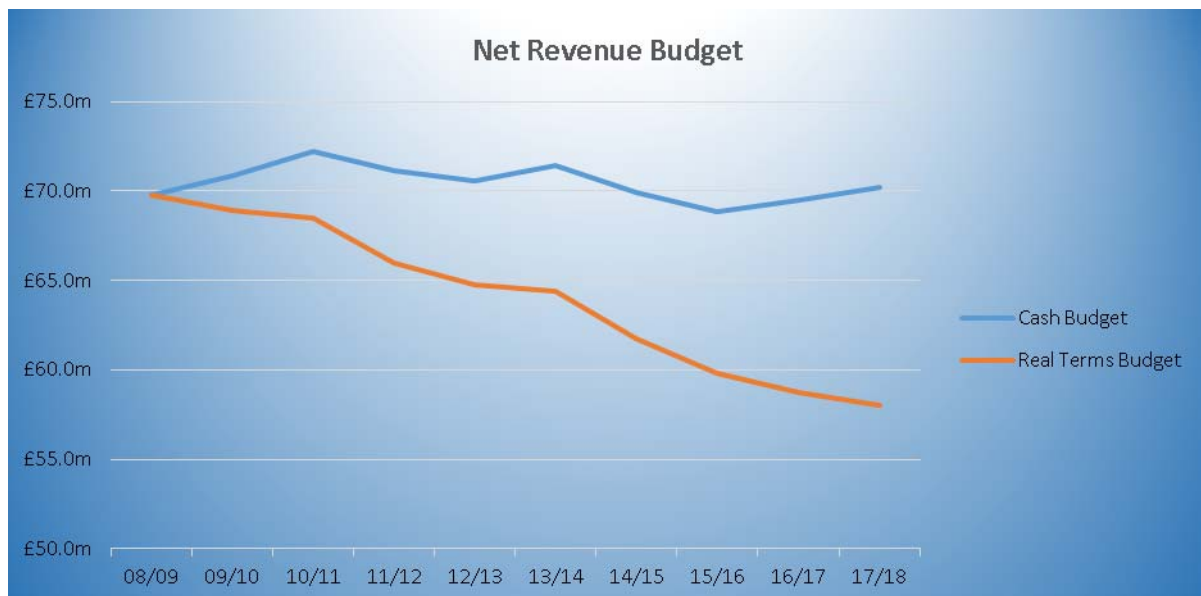
The worst case deficit position of £8.4m (12%) assumes that the Authority would only request funding in accordance with the assessed worst case local authority settlement. In practice, the Authority has to request the resources it requires to fund its services regardless of those settlements. That said, the Authority has always striven to take account of the climate of public sector budgets in which it operates and to reduce the burden on its constituent councils wherever possible.

## Medium Term Financial Plan

To address the budget gap identified, the Service intends to manage down risk, unnecessary response, inflationary and other budget pressures whilst maximising income and making business processes as efficient as possible. Some of this work is part of an ongoing business delivery model whilst some of it depends on specific project work targeted at efficiency and savings.

### Finance and Efficiencies

Since the commencement of the current economic downturn in 2008/09, the Authority has delivered a £12m real terms budget reduction. The budget for 2017/18 is £70.2m which in cash terms is almost the same as in 2008/09. The chart below shows the trend in the revenue budget. It represents an estimated real terms reduction of around 17% in 9 years



The Authority has taken a number of approaches in relation to savings and efficiency over this period including reviews of fire cover, the Shaping Our Future Programme and various efficiency projects focussed on reducing expenditure and increasing income.

If there is a continued downward pressure on expenditure, it will become increasingly difficult to identify further financial savings without significant changes in what services the Authority provides and how it delivers them.

This could have implications for the public, businesses, operational partners and employees. To deliver the Authority's plan to reduce risk, services that are no longer affordable or less impactful may be delivered differently or, in some cases, stopped. Such changes would not be considered or implemented without Fire Authority approval following consultation and engagement.

### Fire Cover Reviews

The Service continues to review fire cover across the whole South Wales Area. The most recent whole authority review resulted in the closure of several retained stations and a reduction in crewing at other sites. As part of that review, a number of identified station amalgamations and moves are still being held in abeyance. Availability of potential sites has created a delivery problem but these options remain open.

### Shaping our Future Programme

The Authority has devoted resources to reviewing parts of the organisation to identify improvements and efficiencies. The programme continues to look at operational and back office business processes. As part of this coming budget cycle, consideration of areas for investment and savings within the structure of the Authority's staffing is being undertaken. These will be the subject of reports to the Fire Authority for consideration once developed.

### Accounting Measures

The Authority, through its Finance, Asset & Performance Management Committee, has reviewed its budget for opportunities to create savings / budget reductions. This has included contingencies, inflation allowances, vacancy provisions, method of manpower budgeting and treasury management practice. The Authority will continue to monitor all of these aspects of the budget to identify further opportunities to drive down the underlying resource requirement where this is prudent and sustainable.

### Reserves Policy

Under the 2003 Local Government Act, the Treasurer is required to make a statement to the Authority on the adequacy of reserves as part of the annual budget setting process. It is good practice for the Authority to have a reserves policy which is reviewed regularly. The Authority follows this practice, ensuring that liabilities and risks are adequately managed from a financial perspective.

### General Reserves

General reserves are maintained to ensure financial stability in the longer term thus allowing the Authority time to plan, mitigate and deal with future financial challenges.

The reserve policy includes an assessment of financial risks and a quantification of those risks where this is possible. The overall value of general reserves held reflects the value of assessed risks, the overall quantum of the budget and previous experience of variations resulting from volatility in specific areas.

Due to the ongoing austerity measures facing the public sector in the UK, the financial risks in the overall budget remain high and the Authority is maintaining general reserves at a healthy level to reflect this. Fire Services in the UK remain under threat of industrial action which represents a further risk to continued service provision.

The financial strategy is predicated on no planned use of general reserves to fund ongoing revenue spending. The Authority regards this as an unsustainable financial planning parameter.

### Earmarked Reserves

The Authority creates, maintains and utilises earmarked reserves to fund specific projects and liabilities as they are developed or identified. An overall change management reserve is maintained to fund projects aimed at increasing efficiency and improving or changing services. The Authority has little recourse to capital funds aside from borrowing and as such these earmarked reserves are also used to assist in meeting the financial demands arising from larger projects.

<b>Reserve (Subject to audit)</b>	<b>Balance at 31/03/17 £000</b>	<b>Purpose</b>
General Reserves	3,000	General financial resilience
Change Management Reserve	6,896	To fund projects aimed at efficiency, service improvement and change
Compartment Fire Behaviour Training (CFBT) Reserve	4,500	To fund the training facility at Cardiff Gate
PFI Equalisation Reserve	3,798	To balance out timing difference in grants and costs of the PFI Training Centre project at Cardiff Gate
Managed Under Spend Reserve	418	To meet costs of ongoing projects falling into the next financial year
<b>Total Revenue Reserves</b>	<b>15,612</b>	

### Treasury Management Strategy

The objective of the Authority's treasury management is to ensure that the Authority's cash, borrowing and investments are appropriately and efficiently managed within agreed financial and legislative parameters.

The Authority is required to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes covering such activities. In accordance with the Code, the Authority procures and retains the services of an external Treasury Management Advisor.

Reports on the Authority's Strategy and agreed parameters are approved prior to the commencement of each financial year. A half year progress report is made during the year and an annual report is received at the completion of each year end outlining performance and compliance.

Temporary borrowing is undertaken to fund short term cash flow deficits with long term borrowing being used to fund the Authority's capital requirements. Given the recent history of low interest rates, the Authority continues to pursue a policy of utilising internal cash balances (Internal borrowing) to minimise external interest costs. Forecasts for the UK and World economy are kept under review to determine if this strategy should change in response to potential interest rate rises.

The Authority's Capital Financing Requirement is the measure of its need to borrow to fund its capital requirements. This is forecast at £47.3m at March 2017 with external borrowing being £41.1m. The difference of £6.2m represents internal borrowing and the exposure of the Authority to increasing interest rates should it need to borrow externally. This exposure is forecast to rise to £8.2m by March 2020.

Exposure to increasing interest rates is mitigated by having a portfolio of external loans at fixed rates maturing over a range of short, medium and long dates. The profile of the Authority's debt maturity provides certainty over borrowing costs with 45% maturing after 10 years or more.

Investment activity is minimised by the current borrowing strategy. However, when cash flow dictates, short term cash investments are made to approved counterparties to generate income.

Further detail on the relevant forecasts can be found in the Authority's approved Treasury Management Strategy.

## Asset Management Plan

The Authority operates within fire and rescue stations, offices, workshops, training facilities and control room accommodation. At these sites, in order to assist us in delivering our service to the public, we also hold a large number of assets, ranging from our fleet of emergency response and support vehicles, operational plant and equipment, ICT equipment and other minor assets (such as office and station furniture, specialist clothing etc.).

In order for us to properly manage these assets it is necessary for the Service to have an Asset Management Strategy. This ensures that our assets are still fit for purpose and relevant for evolving service needs and changing legislative requirements. In addition as a large public sector owner of assets there is an overarching requirement for us to ensure value for money in the management and maintenance of these assets. To this end, our Asset Management Strategy determines the high level priorities where financial resources are to be targeted to meet service requirements.

Our Asset Management Strategy is supported by a number of management plans which provide the detail upon how our assets will be managed. These include:

- Land & Buildings
- Fleet
- Plant & Equipment
- ICT
- Minor Assets
- Procurement

These Operational Equipment Plans are an essential tool in how we manage our operational equipment assets. Regular reviews of our equipment are essential to ensure that it is still fit for purpose and suitable for our evolving service needs and changing legislative requirements.

As part of the public sector there is a responsibility for us to ensure value for money is obtained when we procure and maintain operational equipment. We also have a duty to ensure the health and safety of operational personnel using the equipment and that the equipment we provide is fit for purpose.

## Capital Programme

Capital investment in assets is required to maintain an effective operational response and according a planned capital programme exists. The Fire Authority has little recourse to capital funding other than from self-financed borrowing and capital receipts from the disposal of surplus assets and accordingly, the financing costs of the programme fall on the revenue budget. Affordability is therefore key in making decisions about the level of investment that can be undertaken.

The programme contains elements to fund new or replacement assets as well as repairs and preventative maintenance for existing assets. The programme broadly covers the following categories of investment:

Property	Site acquisitions, new build, refurbishment and planned maintenance
Vehicles	Operational appliances and light vehicles
Equipment	Operational equipment including PPE
ICT	Hardware and software

## Collaboration

Collaborative working with partner agencies is seen as a priority. This includes other emergency services, local authorities and the third sector in Wales but also other service providers on a national level. This collaboration delivers efficiency but also resilience which is especially important in a world subject to emerging global threats such as climate change and terrorism.

The service continues to seek other collaborative opportunities to improve outcomes for the population of South Wales but also to make efficiency savings.

## National Issues Committee and Welsh Government (NIC)

All three Fire and Rescue Authorities in Wales have one common objective which is a safer Wales. The NIC was formed to actively promote and enable collaboration between the Services but also across the wider Welsh public sector. It also aims to achieve objectives detailed in Welsh Government strategic policies and programmes.

The aim of the NIC is to deliver measureable improvements, including greater efficiency and a more citizen focused service. There are currently eleven work streams:

- Business continuity
- Control
- Community risk reduction
- Common & specialist services
- Fleet & transport
- Health & safety
- Human resources
- ICT (shared services)
- Operations
- Procurement
- Training & development

## Partnership with other 'blue light' services

There are obvious synergies between the work of the Service and that of other 'blue light' services across South Wales. Emergency services are often attending the same incidents in the same localities and can in certain circumstances provide resources to assist one another. These resources include employees, property and other assets.

Co-location of services within properties has begun to achieve cost efficiencies. A good operational example is Abertillery Fire Station which is now a tripartite facility housing police, fire and ambulance personnel.



The service is currently engaged with Mid and West Wales in delivering a joint control facility within the South Wales Police HQ. This facility was developed with a business plan to save around £1m per annum in running costs.

Recently the Service has been trialling an emergency medical response service. Fire service personnel and assets are now responding to certain categories of medical emergencies alongside paramedics and ambulances.

### Partnership with local authorities and the third sector

The Service often comes face to face with the same service users of local authorities and the active third sector operating in the area. This provides opportunities to join up service provision when interfacing with service users and members of the general public in many communities.

Prevention activities are key in reducing risks for everybody within the Service Area and activities are now focussed on providing information and advice and sharing information across a wide range of operational front line services.

### Workforce Strategy

The Authority employs around 1,700 staff as both operational firefighters and a range of professional and supporting roles. The nature of the Service means that 75% of expenditure is on staff or staff related budgets and there is a high expenditure on training and related matters.

The Service is part of collective bargaining agreements with both uniformed (grey book) and non-uniformed (green book) Trade Unions. Staff communication and engagement is high on the priorities of the Service to ensure staff fully understand the plans, rationale and motives of the Service.

Given the high percentage of staff costs, efficiencies or budget cuts inevitably impact on staffing levels. The Service tries to avoid redundancies wherever possible by using retirement and natural staff turnover to reduce numbers if required.

### Risk Management

The Fire & Rescue Service National Framework for Wales and the Wales Programme for Improvement Framework requires the Service to consider risk management whilst discharging its statutory duties and take into account the risks facing the organisation when making strategic decisions.

#### Risk Management Framework

A risk is an event that has the potential to help or hinder the achievement of a strategic objective or the delivery of core business. All risks are rated as manageable (low), material (medium) or significant (high).

Directors, department heads and team leaders are responsible for identifying risks during the business planning process and taking the appropriate actions to manage or mitigate risk within their areas. Only risks that impact upon the achievement of a strategic objective or delivery of core business are monitored via the Corporate Risk Register. The Senior Management Team formally



reviews the Corporate Risk Register on a regular basis and endorses the inclusion of any new or emerging risks identified

### Financial Risks

The Service's current and future financial position and adequacy of resources are subject to regular review.

Budget monitoring is regularly undertaken with resources prioritised on key risk areas. Monitoring operates on a devolved and centralised model with budget holders across the Service at various levels of the organisation. The Service's Standing Orders and Financial Regulations set out procedures, roles and responsibilities to ensure accountability.

Key specific financial risks within the Strategy and Plan include:

- The national economy and public finances
- The level of interest rates and the cost of borrowing
- Variations in Inflation assumptions - 1% of pay equals £0.5m and 1% of price equals £0.2m
- Failure to deliver or late delivery of budget savings
- Project delays
- Withdrawal of key funding streams by Government
- The cost of pensions



## **INTERNAL AUDIT REPORT**

### **SUMMARY**

This report updates Members upon progress being made against the Internal Audit Plan 2017/2018.

### **RECOMMENDATION**

Members are asked to note internal audit recommendations and work completed to date on the Internal Audit Annual Plan.

## **1. BACKGROUND**

- 1.1 As Members will be aware, TIAA Limited are appointed as the Authority's Internal Auditors to undertake work covered in the Internal Audit Plan 2017/2018 which was approved by this Committee on 3 April 2017.
- 1.2 As previously agreed, all audit reports with an assurance level of limited or no assurance will be provided in full. Recommendations only will be provided for reports with an assurance level of substantial or reasonable.

## **2. ISSUE**

- 2.1 The areas of internal audit reviews within the Annual Plan were completed with **3** final reports being issued. The areas covered are **HR Management – Absence Management, Governance – Performance Management** and **Station Visits**. The Summary Internal Audit Progress Report written by TIAA Limited is attached as Appendix 1.

### **2.2 HR Management – Absence Management**

- 2.2.1 The audit provided assurance on implementation and compliance with the Service's policy systems and processes undertaken by line managers at a service level, in relation to management of sickness absence, including both short and long term absence.
- 2.2.2 The audit received a substantial level of assurance with three recommendations, one routine, and two areas of operational effectiveness identified.

## 2.3 Governance - Performance Management

2.3.1 The review considered the arrangements for collection and reporting of strategic and sector performance indicator data in accordance with the Welsh Government's requirements. The review also considered any recommendations made in the 2016/2017 report. At the request of this committee testing included one non-mandated indicator.

2.3.2 The audit received a substantial level of assurance with only one recommendation of operational effectiveness made.

## 2.4 Station Visits

2.4.1 Compliance checks were carried out on a range of non-financial aspects of the operation of three Fire & Rescue Stations.

2.4.2 Two areas received a substantial level of assurance, and one area assessed as reasonable assurance. Across the activities eight recommendations have been made, seven important, and one routine.

## 3 EQUALITY RISK ASSESSMENT

3.1 The issues raised within this report have no adverse impact on the protected characteristics, and would have been considered during the audit process.

## 4 RECOMMENDATION

4.1 Members are asked to note the internal audit recommendations, and work completed to date on the Internal Audit Annual Plan.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	Appendix 1 – Summary Internal Audit Progress Report Appendix 2 – HR Management – Absence Management Appendix 3 – Governance – Performance Management Appendix 4 – Station Visits



## South Wales Fire and Rescue Service

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# Summary Internal Controls Assurance (SICA) Report 2017/18

## INTRODUCTION

1. This summary report provides the Audit Committee with an update on the progress of our work at South Wales Fire and Rescue Service as at 22<sup>nd</sup> August 2017.

## PROGRESS AGAINST THE 2017/18 ANNUAL PLAN

2. Our progress against the Annual Plan for 2017/18 is set out in Appendix A. The results of these reviews are summarised at Appendix B.

## INTERNAL CONTROL FRAMEWORK

3. Fieldwork has commenced on the 2017/18 reviews, with two reviews issued to date since the last Joint Audit Committee meeting. There are no issues arising from the findings which would require the annual Head of Audit Opinion to be qualified.

*Figure 1 - Key Strategic Governance, Risk Management and Control Matters*

Review	High level
<b>Governance – Performance Management</b>	<ul style="list-style-type: none"> <li>• It was found that all figures had been calculated in line with the guidance provided by the Welsh Government; the figures calculated were arithmetically correct, reported accurately on the submission and appropriate supporting documentation had been retained to confirm where the information had been obtained for the seven statutory performance indicators and for a sample of three sector indicators.</li> <li>• The submission to the Welsh Government had been provided in accordance with the required deadline.</li> </ul>
<b>HR Management – Absence Management</b>	<ul style="list-style-type: none"> <li>• The review identified that comprehensive arrangements are in place for monitoring, reviewing and ensuring compliance with the absence management procedures through appropriate governance and reporting arrangements and maintenance and analysis of absence data and trends, and managing individual absences by line managers.</li> <li>• Some minor inclusions to the Welfare and Attendance Monitoring procedure are recommended to ensure all current practice is reflected in the document.</li> </ul>

## EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED ISSUES

4. We have identified no emerging risks which could impact on the overall effectiveness of the governance, risk and internal control framework of the organisation to date.

### AUDITS COMPLETED SINCE THE LAST REPORT TO COMMITTEE

5. The table below details of audits completed for 2017/18 since the previous meeting of the Joint Audit Committee.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
Governance Performance Management	– Substantial	25/07/17	22/08/17	22/08/17	-	-	-	1
HR Management – Absence Management	Substantial	26/07/17	22/08/17	22/08/17	-	-	1	2

### CHANGES TO THE ANNUAL PLAN 2017/18

6. There are no changes proposed to the Annual Plan at this time.

### FRAUDS/IRREGULARITIES

7. We have not been advised of any frauds or irregularities in the period since the last summary report was issued.

### LIAISON

8. **Liaison with external audit:** We have ongoing liaison with Wales Audit Office.

### PROGRESS ACTIONING PRIORITY 1 RECOMMENDATIONS

9. There are no outstanding Priority 1 recommendations (i.e. fundamental control issues on which action should be taken immediately) and no new Priority 1 recommendations have been made since the previous report.

## **OTHER MATTERS**

10. We have issued briefing notes and fraud digests since the last audit committee. These are listed in Appendix B.

## **RESPONSIBILITY/DISCLAIMER**

11. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.




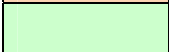


## Progress against the Annual Plan for 2017/18

System	Planned Quarter	Days	Revised Quarter	Current Status	Comments
Governance – Performance Management	1	6	2	Issued in draft 25 <sup>th</sup> July 2017	
ICT – Cyber Security	1	5	2	Fieldwork in progress	Start date 7 <sup>th</sup> August 2017
HR Management – Absence Management	1	6	2	Issued in draft 26 <sup>th</sup> July 2017	
Station Visits	2	4	2	Fieldwork in progress	Start date 31 <sup>st</sup> July 2017
Governance – Strategic Planning	2	6	2	Fieldwork in progress	Start date 7 <sup>th</sup> August 2017
Risk Management – Anti-Fraud	3	6	3		Planned start date 10 <sup>th</sup> October 2017
Joint Control Centre	3	6	3		Planned start date 4 <sup>th</sup> December 2017
Fleet Management - Fuel	3/4	6	3		Planned start date 18 <sup>th</sup> December 2017
Key Financial Controls	4	6	4		Planned start date 3 <sup>rd</sup> January 2018
Contract Management	4	6	4		Planned start date 3 <sup>rd</sup> January 2018
Follow up	4	3	4		Planned start date 1 <sup>st</sup> February 2018
2017/18 Annual Plan	1	1	1	Final report issued	
Strategic Plan	1	1	1	Final report issued	

System	Planned Quarter	Days	Revised Quarter	Current Status	Comments
2017/18 Annual Report	4	1			
Management, Quality Assurance and Support	1-4	7			

**KEY:**

	=	To be commenced
	=	Site work commenced
	=	Draft report issued
	=	Final report issued

## Briefings on Developments in Governance, Risk and Control

Date Issued	CBN Ref	Subject	Status	TIAA Comments
20/06/17	CBN-17015	All Sectors – ICO Draft Guidance on How to Comply With the New GDPR regarding Consent	For Action	Audit Committees are advised to note the implications of the draft guidance, and review their assurance and controls over readiness and resourcing for the implementation of GDPR.
28/06/17	CBN-17018	All – Audit Scotland Report on ICT Projects Lessons Learned	For Possible Action	Audit Committees to note the implications of this Lessons Learned report. Where organisations have strategic plans including any significant ICT Projects and system procurements then assurance should be sought over the effectiveness of their project management, risk and governance processes
28/06/17	CBN-17019	All – National Audit Office Briefing – “Round-up for Audit Committees”	For information	Audit Committees to note the availability of this 6 monthly summary of NAO reports.
11/07/17	CBN-17021	All – Cyber Security Vulnerability leads to £100,000 fine	For Action	Audit Committees and Boards/Governing Bodies are advised to seek independent assurance from their IT supplier (whether in-house or external) that all IT systems are subject to timely and effective security patching. Likewise that vulnerability assessment and scanning are regularly performed, to demonstrate that appropriate measures are being taken and maintained.

Date Issued	CBN Ref	Subject	Status	TIAA Comments
03/08/17	CBN-17022	All – Cyber Threats from Human Behaviour	For Action	Audit Committees and Boards/Governing Bodies are advised to seek independent assurance from their IT supplier (whether in-house or external) that all IT systems are subject to timely and effective security patching. Likewise that vulnerability assessment and scanning are regularly performed, to demonstrate that appropriate measures are being taken and maintained.
11/08/17	CBN-17023	All – Cyber Security – National Cyber Security Centre (NCSC) Launches Web Check for Public Sector sites	For Possible Action	Audit Committees are advised to note the NCSC 'Web Check' has gone live for public sector sites.
11/08/17	CBN-17024	All – Changes to Data Protection Legislation	For Action	Boards and Audit Committees are advised to note the implications of the guidance and changes, and review their assurance and controls over implementation of action plans to achieve demonstrable compliance with the new GDPR.
11/08/17	CBN-17025	All – Understanding Secure E-mail	For information	Members of Audit Committee and Boards/Governing Bodies are advised to review the contents of the guide, and note the key principles relating to the transmission of data by e-mail.




## South Wales Fire and Rescue Service

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### Assurance Review of HR Management – Absence Management

2017/18

## Executive Summary

OVERALL ASSURANCE ASSESSMENT	OVERALL CONCLUSION								
	<p>This review identified that comprehensive arrangements are in place for monitoring, reviewing and ensuring compliance with the absence management procedures through appropriate governance and reporting arrangements and maintenance and analysis of absence data and trends, and managing individual absences by line managers.</p> <ul style="list-style-type: none"> <li>Some minor inclusions to the Welfare and Attendance Monitoring procedure are recommended to ensure all current practice is reflected in the document.</li> </ul>								
RATIONALE AND SCOPE	ACTION POINTS								
<p><b>Rationale</b> HR review included in each year of the plan.</p> <p><b>Scope</b> The review provided assurance on implementation of the Service’s policy and systems and processes undertaken by line managers at a service level in relation to management of sickness absence, including both short and long term absence.</p>	<table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> <td>1</td> <td>2</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	-	-	1	2
Urgent	Important	Routine	Operational						
-	-	1	2						

## Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec .	Risk Area	Finding	Recommendation	Priorit y	Management Comments	Implementatio n Timetable (dd/mm/yy)	Responsi ble Officer (Job Title)
1	Directed	The review of the Welfare and Attendance Monitoring Procedure identified a number of areas where aspects of the process are not recorded within the Procedure or where further information and instruction could be provided. These included the role and responsibility of the sickness absence and medical review panels, welfare visits arising from panel reviews and the 'trigger point' monitoring and reporting undertaken by the Absence Management team.	The Welfare and Attendance Monitoring Procedure be updated to reflect current practice	3	Agreed – will be considered as part of the ongoing review of the procedures currently being undertaken.	31 <sup>st</sup> March 2018	Absence Management Officer

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

## Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Directed	Consideration be given to including further detail on the role of the welfare visits and the use of the <i>P56 Record of Sickness / Welfare Update / Book Fit</i> form within the Welfare and Attendance Monitoring procedure. For example, to include the options available for undertaking welfare visits such as by telephone, home visits, station visits or alternative locations and how and when to complete the 'book fit' element of the form.	<i>This will be considered as part of the ongoing review of the procedures being undertaken. In addition, as part of the ongoing training for Line Managers, guidance documents will be circulated that capture these elements.</i>
2	Compliance	Line managers be reminded to ensure they use their own log-in account when they complete the <i>P55 Report of Initial Sickness</i> form to ensure that there is a transparent record of who completed the form.	<i>It will be re-iterated to Line Managers that they should complete the electronic forms using their own personal accounts and not the Station log-ins.</i>

#### ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures, rather than on a one-by-one basis



## Detailed Findings

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### INTRODUCTION

1. This review was carried out in June 2017 as part of the planned internal audit work for 2017/18. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

### BACKGROUND

2. South Wales Fire and Rescue Service's Welfare and Attendance procedure recognises that as a fundamental element to managing attendance within the service there is a requirement to monitor, report and record absence to ensure that records and procedures are applied consistently and that all employees are aware of their obligations under the sickness and absence procedure.

### MATERIALITY

3. Consistent and reliable attendance is critical to the achieving operational objectives. Each employee has a responsibility to maximise their attendance at work in order to support their colleagues and provide the highest possible standards of service to the public. South Wales Fire and Rescue Service has a responsibility to protect the health and well-being of employees and to provide appropriate levels of support for individuals who are absent due to genuine ill-health and assist them in returning to work as soon as is practicable.

### KEY FINDINGS & ACTION POINTS

4. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

### SCOPE AND LIMITATIONS OF THE REVIEW

5. The review provided assurance on implementation of the Service's policy and systems and processes undertaken by line managers at a service level in relation to management of sickness absence, including both short and long term absence.

6. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

### DISCLAIMER

7. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

### RISK AREA ASSURANCE ASSESSMENTS

8. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

### ACKNOWLEDGEMENT

9. We would like to thank staff for their co-operation and assistance during the course of our work.

**RELEASE OF REPORT**

10. The table below sets out the history of this report.

<b>Date draft report issued:</b>	26 <sup>th</sup> July 2017
<b>Date management responses received:</b>	22 <sup>nd</sup> August 2017
<b>Date final report issued:</b>	22 <sup>nd</sup> August 2017

11. The following matters were identified in reviewing the Key Risk Control Objective:

**Directed Risk: Failure to direct the process through approved policy & procedures.**

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**Attendance Policy and Procedures**

- 11.1 A 'Welfare and Attendance Monitoring' procedure is in place which was last reviewed and updated in February 2017. The procedure is applicable to all employees of the Service. Discussion with the HR Manager (Absence Management) noted an intention to review and update the procedure in 2017/18 to take account of feedback from line managers which is to be obtained during the ongoing training and instruction programme.
- 11.2 Leave and sickness procedures are also subject to the leave and sickness sections of the National Schemes of Conditions of Service: National Joint Council for Local Authority Fire and Rescue Services Scheme of Conditions of Service (Grey Book) and the National Joint Council for Local Government Services, National Agreement on Pay and Conditions of Service (Green Book).
- 11.3 Attendance management standards are defined within the 'Welfare and Attendance Monitoring' procedure. The initial 'trigger point' is more than ten days / shift absence in a rolling twelve month period. Three or more separate periods of absence may result in a verbal warning. Further continued absence will result in a written warning, final written warning or dismissal dependent on the length of absence. After any stage of the process the employee is required to have a continued satisfactory attendance over a rolling twelve month period in order for the employee to return to the start of the procedure. A formal Warning Structure Matrix is in place for Corporate Staff and Uniformed Staff which formally determines the roles and responsibilities of reviewing and making decisions in regard to absence triggers. An exemption to any of the above may be granted by the officer dealing with the absence. The examples of reasonable exemptions are identified in the Welfare and Attendance Monitoring procedure and include in-service injuries, hospitalisation, an otherwise high attendance record, employees under Occupational Health supervision and employees under supervision of a specialist.
- 11.4 Review of the Welfare and Attendance Monitoring Procedure in comparison with current practices noted a number of areas where aspects of the process are not recorded within the procedure or further information and instruction could be provided. These included the role and responsibility of the sickness absence and medical review panels, welfare visits arising from panel reviews and the 'trigger point' monitoring and reporting undertaken by the Absence Management team.

**Recommendation: 1****Priority: 3**

**The Welfare and Attendance Monitoring Procedure be updated to reflect current practices.**

**Operational Effectiveness Matter: 1**

**Consideration be given to including further detail on the role of the welfare visits and the use of the *P56 Record of Sickness / Welfare Update / Book Fit* form within the Welfare and Attendance Monitoring procedure. For example, to include the options available for undertaking welfare visits such as by telephone, home visits, station visits or alternative locations and how and when to complete the 'book fit' element of the form.**

**Complimentary policies, procedures and guidance**

- 11.5 A number of other attendance related policies and procedures are also in place which includes a Health and Fitness Procedure which was last updated and reviewed in March 2017.
- 11.6 Under the procedure operational personnel are required to undergo a Health and Fitness Review (HFR) every two years. The physical standards identified are job-related and differ depending on the role performed. All office based personnel and the roles of Station Manager and above are undertaken at least once every three years at the time of their three yearly medical. Support and control employees can also request an appointment with a health and fitness advisor at any time.
- 11.7 For Wholetime Duty System (WDS) and Retained Duty System (RDS) the Health and Fitness Procedure describes the process for arranging and undertaking the Health and Fitness Review (HFR) and also the fitness testing procedures to be followed for firefighting and incident command roles.
- 11.8 Other policies and procedures noted during the review included those relating to stress, reasonable adjustments, capability and third party accidents.

### Human Resources Responsibility

- 11.9 An Attendance Management Team is in place which is overseen by the HR Manager (Attendance Management). The role of the team includes supporting managers and monitoring absence and also undertaking welfare visits for long term absentees. The Team previously had a Welfare Officer, however, this role is now fulfilled by the HR Manager (Attendance Management).
- 11.10 Under the Welfare and Attendance Monitoring procedure the nominated Group Manager is responsible for maintaining liaison with Station Managers in regard to monitoring attendance and the HR Manager is responsible for monitoring the attendance of corporate staff.

### Occupational Health

- 11.11 South Wales Fire and Rescue Service has its own internal Occupational Health Unit which is based in Nantgarw and reports to the Head of Human Resources. The unit provides services in line with the Welfare and Attendance Monitoring procedure and the Health and Fitness Procedure and also provides a wider support service to employees. The unit is made up of a number medical and other specialists which are either employed directly by the Fire Service or commissioned from external providers including the NHS. This includes access to consultant physicians, nurses, health and fitness advisors, psychotherapists, physiotherapists and counselling services. The unit also has its own administrative support which includes medical secretaries and an administration assistant.
- 11.12 In terms of the routine processes relating to sickness absence, a referral is made by the Attendance Management team to the Occupational Health Unit at twenty-eight days or earlier with cases such as stress, anxiety, depression and back injuries. The referral is triaged initially by the Senior Specialist Occupational Health Nurse and where applicable allocated to the appropriate health professional. Further appointments will then be made to review the case. Discussion with the Senior Nurse noted that dependent on the case, appointments may also be made after the individual has returned to work in order to review progress.
- 11.13 The Occupational Health Unit administer the pre-employment health checks and also the two-yearly assessment and three-yearly medical for wholetime and retained fire fighters. A recall process is in place for the two-yearly assessment and three-yearly medical and a spreadsheet is maintained which the Occupational Health Unit use to record when the assessment and medical is due. The Occupational Health Unit contact individuals directly by email and asked them to arrange an appointment at the unit. If an individual fails to respond, the Senior Nurse writes to their line manager to inform them.

### Governance Arrangements

- 11.14 A panel of officers is in place to discuss absence management cases which meets approximately every two months. The panel includes the Head of Human Resources, the Head of Operations, the Health and Safety Manager and representatives of the Absence Management team and Occupational Health Unit. For each meeting a listing of those on long term absence is prepared by the Absence Management team and each case is discussed. The listing contains cases from Wholetime Duty System (WDS), Retained Duty System (RDS) and Support and Control Staff and also those with approved light duties from those areas. The meeting also reviews new appointments with disabilities to ensure appropriate support mechanisms and assistance arrangements have been considered and put in place.
- 11.15 A further meeting also takes place in the intervening months to review cases which is attended by the Head of Human Resources, the Head of Operations and the Attendance Management Team.

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#### Compliance Risk: Failure to comply with approved policy and procedure leads to potential losses.

- 11.16 Sample testing was undertaken to confirm that the Welfare and Attendance Monitoring procedure was being applied consistently. The sample included ten members of staff classified as long term sick at June 2017 and eight members of staff with recorded periods of short term absence. The sample was taken from staff in respect of the Wholetime Duty System (WDS), Retained Duty System (RDS) and Support and Control Staff.

### Reporting Absence / Notification Process – Day One

- 11.17 Under the absence management policies it is the responsibility of the individual to inform their line manager of their absence. The line manager should record the absence at the earliest opportunity through completion online of a P55 *Report of Initial Sickness* form. Corporate staff are required to telephone their line manager not later than 10.00am on the first day of absence. Uniformed staff are also required to notify their line manager but this can be undertaken by another party if the person is incapacitated. Notification needs to be provided whether it is a rota or duty day.
- 11.18 The individual will generally be required to indicate the reason for the absence and likely return date if known. If the reason for absence is not provided, this can be included on return to work through the fit note.

- 11.19 Where an employee remains absent after four days they must again telephone their line manager, restate their reason for absence and provide an indication of when they are likely to return to work. The employee must also provide a description of what action they have taken or proposed taking and also indicate whether they have or will be contacting their General Practitioner. Where an employee returns to work on or before day four of the absence, the absence is classed as self-certified and an online P57 *Return to Work* form is completed.
- 11.20 For the sample of long term and short term absence cases reviewed, all employees provided notification on or prior to the day of absence and within the timescale specified. Where the absence was greater than four days, all employees also contacted their line manager in a timely manner.
- 11.21 Sample testing identified a number of instances where line managers completed the P55 *Report of Initial Sickness* through the station's generic log-in rather than their own personal access log-in.

#### Operational Effectiveness Matter: 2

**Line managers be reminded to ensure they use their own log-in account when they complete the P55 *Report of Initial Sickness* form to ensure that there is a transparent record of who completed the form.**

#### Reporting Absence / Notification Process – Day Eight

- 11.22 Where an employee has been absent for more than eight days, they are required to contact their line manager as above and the person reporting sick must obtain a statement of fitness – ‘fit note’ – from their General Practitioner (GP) and submit this to their line manager. Upon receiving the ‘fit note’ the line manager must complete an online P58 *Details of Fit Note / Medical Certificate* form and submit it to the Attendance Management Team. The person signing the form confirms that the information contained within the form is correct and is in accordance with the original Medical Certificate produced.
- 11.23 For the sample of long term and short term sickness absence reviewed, all employees had statement of fitness to work certificates covering the entire period of absence.



### Welfare Visits

- 11.24 Under the Welfare and Attendance Monitoring procedure, there are no defined limitations of the timing and frequency of welfare visits, however, at least one visit should be undertaken after the first three weeks of absence and further visits should be undertaken every eight weeks to monitor the employee's progress and keep them informed of their employment position. The person undertaking the visit will also enquire as to whether any additional welfare support requirements can be provided. A *P56 Record of Sickness / Welfare Update / Book Fit* form should be completed by the line manager and forwarded to the Attendance Management Team immediately following each visit or contact.
- 11.25 For the sample of long term and short term sickness absence reviewed, the examination of the personal files confirmed that *P56 Record of Sickness / Welfare Update / Book Fit* form had been completed both within the first three weeks of absence and at eight week periods where required for all employees. Examination of the records revealed that actual practice tended towards the employee being contacted, or the employee contacting their line manager, more frequently than prescribed within the period, for example, weekly, which would appear to be good practice.

### Referral to Service Medical Advisor

- 11.26 Referral to the Service Medical Examiner will be undertaken at no later than four weeks and will be arranged by the Attendance Management Team.
- 11.27 Where the employee indicates the absence is stress-related, the HR Manager (Attendance Management) in consultation with the respective line manager arranges to make welfare contact to determine whether the individual can be offered support through the Service Medical Advisor.
- 11.28 When an employee has been absent for a continuous period of sixteen weeks, the HR Manager (Attendance Management) will request that the Service Medical Advisor carry out a full assessment to determine the employee's progress and whether they are likely to return to full fitness in the near future. Referral to the Service Medical Examiner takes place at each sixteen week period of absence thereafter. A proforma *Confidential Medical Examination Report* document is in place which records the employee's personnel details, employment details, details of current absence including start date and reason for absence and also the employee's previous sickness record.

- 11.29 For the sample of long term absences reviewed, a referral was made by the Attendance Management team to the Occupational Health Unit at twenty-eight days or earlier with cases such as stress, anxiety, depression and back injuries for all those within the sample. Requests for progress reviews were also made at the required frequency.

### Return to Work Process

- 11.30 Upon return to work a return to work interview should be undertaken the aim of which is to confirm that the employee has fully recovered, identify reasons for absence and if any support is required in the workplace, determine whether there is likely to be a re-occurrence and whether there are any underlying problems and what can be undertaken to alleviate those problems. As part of the return to work interview an online P57 *Return to Work* form is completed by the employee and forwarded to the line manager to counter sign and forward to the Attendance Management Team.
- 11.31 Upon receipt of the P57 *Return to Work*, the Attendance Management Team review the sickness absence record of the individual and highlight any patterns or concerns and indicate whether the employee has received any verbal, written or final written warnings.
- 11.32 A P57 *Return to Work* form had been completed in a timely manner for all employees within the sample of short term absences reviewed.

### Accident Reporting

- 11.33 The P55 *Report of Initial Sickness* form includes a section which asks whether the absence is due to injury on or off duty and the form is automatically forwarded to the Health and Safety Team where ticked. These will be recorded on the Health and Safety team's central database of accidents and injuries and investigated under the associated procedures.
- 11.34 Where findings of accident investigations are such that changes to processes are required, these are put in place by the Health and Safety Team. Examples of actions include information and instruction being included with the Health and Safety Team's periodic 'Safety Flash' bulletin, changes to standard operating procedures and changes to fire equipment used.
- 11.35 The Health and Safety Manager attends the sickness absence panel as above.

**Operational Risk: Failure to identify opportunities to operate more efficiently or to be prepared for forthcoming changes.**

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### Monitoring and Reporting / Trend Analysis / Key Performance Indicators

- 11.36 Absence data for Wholetime Duty System (WDS), Support and Control staff is produced on a monthly basis which details days lost in terms of short term and long term absence. The information is reviewed through the governance arrangements described above which include quarterly reports to the senior management team. An annual report is also provided to the Fire Authority.
- 11.37 In 2016/17 the absence data reported was as follows:

Days Lost 2016/17		
	Short Term	Long Term
<b>WDS</b>	2255	5701
<b>Support</b>	663	1043
<b>Control</b>	152	352
<b>Total</b>	3070	7069

- 11.38 Although no current benchmarking of sickness absence levels takes place, discussion with the HR Manager – Attendance Management noted an intention to benchmark through arrangements in place with English Fire Services. This process has commenced with the necessary template benchmarking documentation having been obtained ready for the data to be populated.

### Information provided to Departments and Managers

- 11.39 The Attendance Management team receive attendance records from the Central Staffing team. The reports show whether an employee is currently on sickness absence or undertaking non-operational duties. The information received is cross referenced to the absence recording system (AMS) and Core HR to ensure the information is correct. All other employees, uniformed and corporate staff, are entered on weekly attendance sheets which are sent by line managers to their Head of Department who in turn forward on to the Attendance Management Team.

- 11.40 Monthly attendance management reports are produced and provided to the Senior Management Team. The information provided includes the total percentage of attendance and differential between long and short term absence. Members of the Absence Management team also meet with Group Managers to discuss their areas. Monthly reports are produced detailing welfare visits, fit notes and return to work forms outstanding which are provided to Station Managers and copied to Group Managers. Station Managers are also encouraged to view absence information held on the HR system which they can access for their own staff.

**Reputational Risk: Failure to deliver in a manner that meets the expectations of the organisation.**

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**Health, Safety and Wellbeing Initiatives and Support Mechanisms**

- 11.41 The review noted a range of health, safety and wellbeing initiatives and support mechanisms in place for employees within the Service. There are summarised below.
- 11.42 Line managers are encouraged to refer or encourage employees to contact the Service Medical Examiner. Reasons for referral noted within the Welfare and Attendance Monitoring procedures include weight management, psychological counselling, soft tissue injury and fitness assessments.
- 11.43 The Service have a health and wellbeing intranet site which offers information and advice and provides links to other websites.
- 11.44 Under the Health and Fitness Procedures all employees have access to fitness facilities and support and are able to access free fitness facilities at all work locations and are able to access them during working hours with arrangements dependent on their role with separate arrangements in place under the policy for Wholetime Duty System (WDS), Retained Duty System (RDS) and Support and Control Staff.
- 11.45 An Employee Assistance Programme (EAP) has been set up which has been commissioned from an external provider, Carefirst. A twenty-four hour service both by telephone and online is provided which includes employee counselling and support with a range of health and wellbeing issues.
- 11.46 Other examples of support available to employees included development of an initiative in conjunction with *Mind Cymru* relating to mental health issues. The initiative is specific to 'blue light' services and includes establishing mental health champions within

the organisation, the creation of an intranet site and provision of training to line managers. The Service also take part in specific health promotion days.

### **Training available / provided on managing absence**

- 11.47 All employees receive guidance on the Welfare and Attendance Monitoring policy and associated processes as part their initial induction to the Service.
- 11.48 A programme of training aimed at those with line management responsibility has recently been commenced. The training provides instruction on the key stages in managing attendance including the ‘trigger’ points and the return to work process. Discussion with the HR Manager (Attendance Management) noted that plans are also being developed to provide training to newly appointed managers on their responsibilities in regard to absence management as part of their specific induction process.

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## South Wales Fire and Rescue Service

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### Compliance Review of the Governance – Performance Management Arrangements

2017/18

## Executive Summary

OVERALL ASSURANCE ASSESSMENT	OVERALL CONCLUSION								
 <p>The diagram shows a central green circle labeled 'SUBSTANTIAL ASSURANCE' surrounded by a blue ring with the text 'Adequate &amp; effective governance, risk and control processes'. To the right is a legend with four colored circles: green for 'SUBSTANTIAL ASSURANCE', yellow for 'REASONABLE ASSURANCE', orange for 'LIMITED ASSURANCE', and red for 'NO ASSURANCE'.</p>	<ul style="list-style-type: none"> <li>It was found that all figures had been calculated in line with the guidance provided by the Welsh Government; the figures calculated were arithmetically correct, reported accurately on the submission and appropriate supporting documentation had been retained to confirm where the information had been obtained for the seven statutory performance indicators and for a sample of three sector indicators.</li> <li>The submission to the Welsh Government had been provided in accordance with the required deadline.</li> </ul>								
RATIONALE AND SCOPE	ACTION POINTS								
<p>Rationale: Wales Audit Office annual requirement.</p> <p>Scope: The review considered the arrangements for collection and reporting of strategic and sector performance indicator data in accordance with the Welsh Government’s requirements. The review also considered any recommendations made in the 2016/17 report. At the request of the FAPM, testing will include one non mandated indicator.</p>	<table border="1"> <thead> <tr> <th data-bbox="1167 1034 1393 1121">Urgent</th> <th data-bbox="1400 1034 1626 1121">Important</th> <th data-bbox="1632 1034 1859 1121">Routine</th> <th data-bbox="1865 1034 2092 1121">Operational</th> </tr> </thead> <tbody> <tr> <td data-bbox="1167 1126 1393 1214">0</td> <td data-bbox="1400 1126 1626 1214">0</td> <td data-bbox="1632 1126 1859 1214">0</td> <td data-bbox="1865 1126 2092 1214">1</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	0	0	1
Urgent	Important	Routine	Operational						
0	0	0	1						



## Management Action Plan – Priority 1, 2 and 3 Recommendations

Rec .	Risk Area	Finding	Recommendation	Priorit y	Management Comments	Implementati on Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No recommendations were made.							

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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## Operational Effectiveness Action Plan

Ref	Risk Area	Item	Management Comments
1	Compliance	In future care be taken to ensure that the target setting document reflects the actual target value, given the anomaly identified in two consecutive years regarding FRS/RRC/S/001(iii), although this anomaly had no direct impact on the submission to Welsh Government.	<i>The plan devised and utilised by the department when completing the end of year returns and preparing for the internal audit has been updated to include an action where the target setting document will be subject to additional scrutiny and quality assurance.</i>

### PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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## South Wales Fire and Rescue Service

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### Regularity Review – Station Visits

2017/18

## Executive Summary

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### INTRODUCTION

1. This is the sixth regularity review undertaken by TIAA of fire stations. The stations visited were Pontypridd, Abertillery and Pencoed. The review was carried out in August 2017.

### SUMMARY

2. For each of the financial activities tested for compliance with controls the assessments were as follows:

System	Assessment
Petty Cash	Not Applicable
Other Income	Not Applicable
Purchasing	Substantial Assurance
Fuel and Fuel Cards	Reasonable Assurance
Overtime, Roster, Sickness and Training	Substantial Assurance

3. Compliance checks were carried on a range of non-financial aspects of the operation of the stations. Assessments were not given on these areas as the checks do not include all aspects of these operations. However, the table below highlights those areas where recommendations made are either Priority 1 or 2, and this is indicative that urgent changes to some of the internal controls in these areas are required.

System	Recommendations	
	1	2
Policies and Procedures	-	-
Building & Equipment	-	1
Health and Safety	-	2
Security – ICT	-	-
Security – Access and Physical Security	-	1
Assets and Inventories	-	-
Catering	-	-
Transport	-	-
Community Stock	-	-
Incident Reporting System	-	-
Redkite – Equipment Management System	-	2

**KEY FINDINGS**

4. The significant control issues identified were:

- Routine testing of the fire safety arrangements which include fire alarms, firefighting equipment and emergency lighting is not being undertaken in a timely manner.
- Periodic checks of the first aid kits are not being undertaken appropriately as expired first aid items were found in all stations. This issue was also identified at other stations visited in previous reviews. The Service needs to ensure that all stations are required to regularly review first aid kits and remove out of date contents.
- The Redkite Equipment Management System database is not accurate as it is not being used completed appropriately by firefighters.
- The Environmental Control Unit (ECU) van provided to Pencoed station does not have a first aid kit on the vehicle.

**RELEASE OF REPORT**

5. The table below sets out the history of this report.

<b>Date draft report issued:</b>	18 <sup>th</sup> August 2017
<b>Date management responses received:</b>	24 <sup>th</sup> August 2017
<b>Date final report issued:</b>	24 <sup>th</sup> August 2017

## Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Fuel Cards</b>						
1	It was noted that at Pencoed the fuel card was kept on the appliance rather than being held securely in the key safe provided when not being used.	Pencoed station staff be reminded that fuel cards must be kept in the locked key safe when not being used.	2	<p><i>The fuel card has been placed in the Key Safe at Pencoed. SC to monitor. All SC have been emailed to remind them fuel cards are to be kept in the Key Safes.</i></p> <p><i>This will be monitored on station audits for any future non compliance.</i></p> <p><i>Will complete a spot check 4 weeks from date email sent.</i></p>	Week Commencing 11 Sep 17	Station Commander (SC) OAST SM – Monitoring officer only

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Building and Equipment</b>						
2	A review of the Raising Awareness – Reducing Risk Log Books at Pontypridd and Abertillery stations identified that fire alarms, emergency lighting and firefighting equipment checks are not being carried out in a timely manner. This issue was also identified at other stations visited during previous reviews.	Routine fire alarm tests and firefighting equipment inspections be carried out on a weekly basis and emergency lighting tests on a monthly basis be undertaken at all stations in accordance with the procedures set out in the Raising Awareness, Reducing Risk Log book.	2	<p><i>Email send to all SC reminding them of the importance of personnel performing these tests within the correct timelines and completing the appropriate Log Books. All Log Books are checked by the OAST team during the annual audits.</i></p> <p><i>Will complete a spot check 4 weeks from date email sent.</i></p>	WC 11 Sep 17	Station Commander (SC) OAST SM – Monitoring officer only

## PRIORITY GRADINGS

1	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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2	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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3	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Health and Safety</b>						
3	A review of the first aid kits at all stations revealed that they contained some items that were out of date. This issue has been identified in previous station visits.	All staff undertaking quarterly checks of first aid kits be reminded that expired first aid kit items must be removed as part of the periodical check carried out every three months.	2	<i>Email sent to all SC advising them to check all First Aid Kits and replace any out of date items. The first Aid packs are checked during annual audits by the OAST team.</i>  <i>Will complete a spot check 4 weeks from date email sent.</i>	WC 11 Sep 17	Station Commander (SC) OAST SM – Monitoring officer only
4	Pencoed Station was provided with an Environmental Commander Unit (ECU) vehicle in September 2016. It was noted that the vehicle did not have a first aid kit.	Pencoed station be supplied with a first aid kit for the Environmental Commander Unit (ECU) vehicle.	2	<i>A First Aid kit has been ordered for this appliance.</i>  <i>Confirmation of arrival and placement of kit on vehicle to be</i>	WC 11 Sep 17	Station Commander (SC)

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
				<i>confirmed by the SC.</i>		

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Security – Access and Physical Security</b>						
5	A walk around the premises at Pencoed Station identified that training equipment was positioned in between the two firefighting appliance posing a potential health and safety risk to fire fighters when getting in and out of the appliances during the response to an incident.	The rowing machine at Pencoed station currently located between the two fire appliances be moved to the gymnasium area to remove the potential health and safety risk to station staff accessing the fire appliances.	2	<i>The rowing machine has been moved to the rubber matt in the gym area. SC to monitor. Location of gym equipment to be monitored on Station audit visits.</i>	<i>Confirmed completed.</i>	<i>Station Commander (SC) OAST SM – Monitoring officer only</i>

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Incident Reporting System (IRS)</b>						
6	The Incident Reporting System is not being updated by stations in a timely manner.	All Stations be reminded that the Incident Reporting System (IRS) needs to be updated in a timely manner.	3	<p><i>Email sent to all SC to remind all staff the importance of completing the IRS forms in a timely manner.</i></p> <p><i>Will complete a spot check 4 weeks from date email sent.</i></p>	WC 11 Sep 17	<p><i>Station Commander (SC)</i></p> <p><i>GM Scrivens (IRS Officer)</i></p> <p><i>OAST SM – Monitoring officer only</i></p>

## PRIORITY GRADINGS

1	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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2	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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3	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Redkite – Equipment Management System</b>						

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
7	Station staff are not updating the Redkite system in a timely manner once equipment has been tested and in instances where equipment is not found, this is not being reported to the Redkite Customer Support Team.	Members of staff at all stations be reminded that all equipment identified on the Due Reports need to be tested the Redkite system updated in a timely manner or the Redkite Customer Support Team need to be advised that items are not located at the station recorded on Redkite as having the item to enable enquiries to be made to identify the location of these items.	2	<p><i>Pontypridd SC to provide a list of their Redkite equipment which needs re-kiting. Either they have no number or the number has faded and is no longer readable. Email sent to all SC reminding them of the importance of stations completing the Redkite tests on a daily basis.</i></p> <p><i>Will complete a spot check 4 weeks from date email sent. A new equipment log book is being produced to track location of equipment used or swapped at incidents/training and will be completed and on stations by the end of September.</i></p>	WC 11 Sep 17	Station Commander (SC) OAST SM – Monitoring officer only

## PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.	<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.	<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
8	New and repaired equipment is not being electronically recorded on the Redkite system by firefighters at the stations visited.	Staff at all stations be reminded that when equipment is returned as repaired or new, the Redkite system needs to be updated to ensure that all equipment can be accounted for and is fit for purpose.	2	<p><i>Email sent to all SC reminding them of the importance of station personnel completing acceptance tests and updating the Redkite system.</i></p> <p><i>Will complete a spot check 4 weeks from date email sent.</i></p>	WC 11 Sep 17	<p><i>Station Commander (SC)</i></p> <p><i>OAST SM – Monitoring officer only</i></p>

PRIORITY GRADINGS

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PRIORITY GRADINGS

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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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## Operational Effectiveness Action Plan

Ref	Risk Area	Item	Management Comments
No Operational Effectiveness Matters have been identified.			

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures, rather than on a one-by-one basis



**FORWARD WORK PROGRAMME FOR  
FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE 2017/18**

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
As required	Internal Audit Progress Report & Audit Action Updates	To provide an updated position of work performed against the internal audit plan and to highlight any significant issues arising from the internal audit work performed	DCO  Contact Officer: Geraint Thomas	
As required	Performance Report	To scrutinise specific issues of performance identified and referred by Fire Authority	DCO  Contact Officer: Sally Chapman	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by Fire Authority	ACFO SD  Contact Officer: Sarah Watkins	
As required	WAO Reports	To advise Members of the conclusions of WAO Reports and to consider the implications for the Service	DCO  Contact Officer: Sally Chapman	
11 Sept 2017	Revenue Outturn	To advise on total revenue expenditure for the year against the set revenue budget following the year end and to explain variations	Treasurer/DCO  Contact Officer: Geraint Thomas	On agenda
11 Sept 2017	Capital Outturn	To advise on total capital expenditure for the year against the set capital budget following the year end and to explain variations	Treasurer/DCO  Contact Officer: Geraint Thomas	On agenda

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
11 Sept 2017	Statement of Accounts	To advise Members of the content of the Statement	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	On agenda
11 Sept 2017	Health Check of Priority Actions and Q1 progress against the Statutory PI's	To scrutinise the issues in relation to each of the Priority Actions and to review what the Service has planned to do to address each issue in the current financial year and review Q1 progress against each of the statutory PI's	DCO  Contact Officer: Sarah Watkins	On agenda
11 Sept 2017	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	On agenda
11 Sept 2017	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	On agenda
11 Sept 2017	Treasury Management Outturn Report	To advise on performance against the treasury management policy and strategy following financial year end	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	On agenda
11 Sept 2017	Medium Term Financial Strategy Update; Reserves Strategy & Revenue & Capital Budget Setting Report	To Update Members on the MTFS to inform and influence the 2018/19 budget setting process to meet the Service's requirements for the	Treasurer/DCO  Contact Officer: Chris Barton/	On agenda

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
		following financial year	Geraint Thomas	
4 Dec 2017	Treasury Management Interim Report	To update Members on treasury management activity during the year to date	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	
4 Dec 2017	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
4 Dec 2017	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
4 Dec 2017	Corporate (Operational) Risk Register	To seek Members' views upon the Corporate (Operational) Risk Register	DCO  Contact Officer: Sarah Watkins	
4 Dec 2017	Revenue & Capital Budget Setting Report	To assist in determining the appropriate revenue & capital budget required to meet the Service's requirements for the financial year	Treasurer/DCO  Contact Officer: Chris Barton/ Geraint Thomas	
4 Dec 2017	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO  Contact Officer: Sarah Watkins	
29 Jan 2018	Revenue & Capital Budget Setting (if required)	To assist in determining the appropriate revenue & capital budget	Treasurer/DCO	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
		required to meet the Service's requirements for the financial year	Contact Officer: Chris Barton/ Geraint Thomas	
29 Jan 2018	Health Check of Priority Actions and Q3 progress against the Statutory PI's	To scrutinise the issues in relation to each of the Priority Actions and to review what the Service has planned to do to address each issue in the current financial year and review Q3 progress against each of the statutory PI's	DCO  Contact Officer: Sarah Watkins	
29 Jan 2018	Wellbeing Plans	To scrutinise the Wellbeing Plans of constituent PSB's to establish how these impact upon SWFRS and formulate a report with recommendations to the FRA on implications for SWFRS Wellbeing Plan	DCO  Contact Officer: Sarah Watkins	
29 Jan 2018	Draft annual report of the work of the FAPM Committee and the discharge of the terms of reference of the Finance, Asset & Performance Management Working Group	To consider the draft report on the annual work of the Committee before its submission to the Fire Authority and to ensure the Authority has efficient use of resources and robust procedures in place to ensure and manage this	Chair of FAPM, Chair of Working Group & DCO  Contact Officer: Sally Chapman	
23 April 2018	Treasury Management Strategy	To seek Member approval of the treasury management policy and strategy for the following financial year	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
23 April 2018	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
23 April 2018	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
23 April 2018	Internal Audit Programme	To outline the planned internal audit coverage for the financial year and to seek comment and approval	DCO  Contact Officer: Sally Chapman/ Geraint Thomas	
23 April 2018	Internal Audit Annual Report	To provide an opinion on the adequacy and effectiveness of risk management, control and governance processes based on the internal audit work undertaken during the financial year. This will support the statement of internal control.	DCO  Contact Officer: Sally Chapman/ Geraint Thomas	
23 April 2018	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO  Contact Officer: Sarah Watkins	
23 April 2018	Scrutiny of Strategic Objectives	To scrutinise progress in relation to achieving the actions planned to address each issue	All Directors	
23 April 2018	Corporate (Operational) Risk Register	To seek Members' views upon the Corporate (Operational) Risk Register	DCO	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
			Contact Officer: Sarah Watkins	

Sally Chapman - DCO  
 Andy Thomas - ACFO Service Delivery  
 Chris Barton - Treasurer

Geraint Thomas - Head of Finance & Procurement  
 Mark Malson - Head of Human Resources  
 Sarah Watkins - Head of Service Performance & Communications



## AGENDA ITEM NO 15

**To consider any items of business that the Chairman deems urgent  
(Part 1 or 2)**



1. Apologies for Absence
2. Declarations of Interest

Members of the Fire & Rescue Authority are reminded of their personal responsibility to both verbally and in writing declare any personal and/or prejudicial interests in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.

3. Chairman's Announcements
4. To Receive the Minutes of:
  - FAPM Meeting held on 3 April 2017 3
5. Revenue Outturn 2016/17 11
6. Capital Outturn 2016/17 23
7. Statement of Accounts 2016/17 31
8. Report on Health Check of priority Actions and Q1 progress against the Statutory PI's 51
9. Revenue Monitoring Report 2017/18 73
10. Capital Monitoring Report 2017/18 81
11. 2016/17 Annual Treasury Management Review 89
12. Medium Term Financial Strategy (MTFS) and Reserves Strategy Update 101
13. Internal Audit Report 123
14. Forward Work Programme 171
15. To consider any items of business that the Chairman deems urgent (Part 1 or 2) 177

**At the close of the meeting Members will meet with the Wales Audit Office and Internal Auditors to discuss Service progress**