

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, 23 November 2015 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:
 - Finance, Asset & Performance Management Working Group held on 27 July 2015 3
 - FAPM Meeting held on 14 September 2015 7
5. Revenue Monitoring Report 2015 -16 13
6. Capital Monitoring Report 2015 -16 21
7. Revenue Budget Estimate 2016-17 27

8.	Treasury Management Mid Term Review Report	37
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10.	Corporate Risk Register 2015-16 Quarter 2 Review	103
11.	Report on Progress of Audit, Scheme & Circular Action Updates as at 23 November 2015	117
12.	Forward Work Programme	133

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:

E	Galsworthy	Merthyr Tydfil
P	Hannon	Newport
M	Powell	Monmouthshire
C	Hawker	Caerphilly
SJ	Jones	Rhondda Cynon Taff
A	Jones	Torfaen
J	Morgan	Blaenau Gwent
M	Javed	Cardiff
P	Drake	Vale of Glamorgan
C	Smith	Bridgend

SOUTH WALES FIRE & RESCUE AUTHORITY

**MINUTES OF THE FINANCE, ASSET & PERFORMANCE
MANAGEMENT WORKING GROUP MEETING
HELD ON MONDAY 27 JULY 2015 AT
SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS**

1. PRESENT:

Councillor	Left
P Hannon (Chair)	Newport
P Drake	Vale of Glamorgan
E Galsworthy	Merthyr Tydfil
E Hacker	Vale of Glamorgan
C James	Bridgend
S Jones	Rhondda Cynon Taff
M Powell	Monmouthshire
C Smith	Bridgend
V Smith	Monmouthshire

APOLOGIES:

D Ali	Cardiff
C Hawker	Caerphilly
A Jones	Torfaen
J Morgan	Blaenau Gwent
S Pickering	Rhondda Cynon Taff

ABSENT:

OFFICERS PRESENT:- Mr C Barton - Treasurer, Mr C Powell – Deputy Monitoring Officer, Mr G Thomas – Head of Finance & Procurement, A/AM I Greenman – Head of Training & Development, Mr R Price – Wales Audit Officer, GM S Rossiter – Head of Service Performance, Station Manager P Mason

2. DECLARATIONS OF INTEREST

Each Member declared a personal non-prejudicial interest in each agenda item which affected their Authority.

3. CHAIR'S ANNOUNCEMENTS

There were no Chair's announcements.

4. MINUTES OF PREVIOUS MEETING

The minutes of the Finance, Asset & Performance Management Working Group meeting held on Monday, 13 April, 2015, were received and accepted as a true record of proceedings.

With reference to recommendation 44.3 within the minutes, relating to the appointment of lead Members to carry out scrutiny on key areas within the Capital Programme, the Chair requested nominations from Members of the Finance, Audit & Performance Management Working Group.

RESOLVED THAT

The following Members agreed to lead on the scrutiny of key areas within the Capital Programme:-

- Councillor E Galsworthy Plant & Equipment
- Councillor S Jones ICT
- Councillor C Smith Fleet & Engineering
- Councillor V Smith Land & Buildings

5. ASSET MANAGEMENT STRATEGY 2015-2019

The Head of Finance & Procurement presented Members with a report on the draft Asset Management Strategy for 2015-2019.

RESOLVED THAT

- 5.1 Members agreed to note the update report on the draft Asset Management Strategy 2015-2019.
- 5.2 Following a question and answer session, and concerns raised by Members on recent statistics reported within the media that 100% of teenage boys and 20% of girls were unable to hear smoke alarms whilst sleeping, Officers agreed to carry out further research on pitch levels and provide an update report at a later date.

6. SCRUTINY OF IMPROVEMENT OBJECTIVES

On behalf of the Deputy Chief Officer, the Head of Service Performance delivered an electronic presentation to Members on the 'Scrutiny of Improvement Objectives' for 2015-2016.

RESOLVED THAT

- 6.1 Following a question and answer session, and lengthy discussion on the importance of 'engagement' across all areas, Members agreed to note the electronic presentation and overview on the 'Scrutiny of Improvement Objectives'.
- 6.2 Following a query by Members on whether personnel were continuing to engage with Barry Comprehensive School pupils following the fatal road accident at Brecon, Officers agreed to liaise with the Community Safety team, and provide feedback in due course.

7. CHARTERED INSTITUTE OF PUBLIC FINANCE & ACCOUNTANCY- SOUTH WALES FIRE & RESCUE SERVICE 2013

Following a request from the Chief Fire Officer, Station Manager Mason presented a report to Members on the review of the South Wales Fire & Rescue Service Chartered Institute of Public Finance & Accountancy (CIPFA) Stats Comparative profile.

RESOLVED THAT

- 7.1 Following a question and answer session, Members agreed to note the report on the review of the South Wales Fire & Rescue Chartered Institute of Public Finance & Accountancy (CIPFA) Stats Comparative profile.
- 7.2 Following a request by Councillor James, Officers agreed to provide Members with up to date information on the merger of Porthcawl and Kenfig Hill Fire Stations.
- 7.3 Officers agreed to provide Members with an updated version of the Induction Booklet on acronyms within the Service.

The Chair thanked Station Manager Mason for his informative report.

8. MEDIUM TERM FINANCIAL PLAN AND REVENUE BUDGET

The Treasurer delivered an electronic presentation to update Members on the Medium Term Financial Plan and Revenue Budget.

RESOLVED THAT

Members agreed to note the electronic presentation on the update of the Medium Term Financial Plan and Revenue Budget, which included resource assumptions and projections for 2016-2017.

The Chair thanked the Treasurer for his report and update on the Medium Term Financial Plan.

9. FORWARD WORK PROGRAMME

The Deputy Monitoring Officer presented the Forward Work Programme.

RESOLVED THAT

- 9.1 Members accepted the Forward Work Programme for the Finance, Asset & Performance Management Working Group 2015-2016.
- 9.2 Following a request by the Chair, Officers agreed to provide Members with regular updates on the merger of Porthcawl and Kenfig Hill Fire Stations which would be included in the Forward Work Plan for 2015-2016.

SOUTH WALES FIRE & RESCUE AUTHORITY
MINUTES OF THE FINANCE, AUDIT & PERFORMANCE
MANAGEMENT COMMITTEE MEETING
HELD ON MONDAY, 14 SEPTEMBER 2015 AT
SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

15. PRESENT:

Councillor	Left
P Hannon (Chair)	Newport
P Drake	Vale of Glamorgan
C Hawker	Caerphilly
M Javed	Cardiff
A Jones – arrived at 1040	Torfaen
S J Jones	Rhondda Cynon Taf
M Powell	Monmouthshire

APOLOGIES:

E Galsworthy	Merthyr Tydfil
J Morgan	Blaenau Gwent
C Smith	Bridgend

OFFICERS PRESENT:- DCO S Chapman – Monitoring Officer; Mr C Barton – Treasurer; Mr G Thomas – Head of Finance & Procurement; AM I Greenman – Head of Training & Development; Mrs L Mullan – Senior Accountant; Mr S Barry – Wales Audit Office; Ms V Davies – TIAA Audit; Ms E Simes – KPMG.

16. DECLARATIONS OF INTEREST

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

17. CHAIR'S ANNOUNCEMENTS

There were no announcements to be made.

18. MINUTES OF PREVIOUS MEETING

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

- Finance, Asset & Performance Management Working Group held on 13 April 2015.
- FAPM Committee held on 29 June 2015.
- FAPM Committee Informal Meeting held on 13 July 2015.

19. REVENUE MONITORING REPORT 2015/16

The Head of Finance & Procurement provided Members with detail of the annual revenue budget and associated information for the year ending 31 March 2016.

RESOLVED THAT

- 19.1 Following a question and answer session, Members agreed to note the content of the report.
- 19.2 Members approved the virements outlined in 2.3 of the report.

20. CAPITAL MONITORING REPORT 2015/16

The Head of Finance & Procurement provided Members with detail of the total capital budget for the year, expenditure to date and a forecast outturn position.

RESOLVED THAT

- 20.1 Members agreed to note the progress of the capital schemes.
- 20.2 Members approved the alterations identified in Appendix 1 to the report.
- 20.3 Members agreed to note the associated funding streams.

21. 2014/15 ANNUAL TREASURY MANAGEMENT REVIEW

The Treasurer presented to Members the results of the treasury management activities for the year ending 31 March 2015, in accordance with the Authority's approved Treasury Management Strategy.

RESOLVED THAT

- 21.1 Members agreed that the Fire & Rescue Authority note the Annual Treasury Management Review for 2014/15.

21.2 Members agreed to recommend to the Fire & Rescue Authority that they approve the actual 2014/15 prudential and treasury indicators set within the report.

22. SCRUTINY OF STRATEGIC OBJECTIVES 2, 3 AND 5

The Deputy Chief Officer delivered a presentation to Members on the following Strategic Objectives:

- Strategic Objective 2 – Engage and Consult with our Staff, Communities and Stakeholders to Jointly Shape our Future Services.
- Strategic Objective 3 – Align our Resources to ensure they are Fit for Purpose and Sustainable for the Future.
- Strategic Objective 5 – Explore Partnership and Collaborative Opportunities to Improve Outcomes.

RESOLVED THAT

Following a question and answer session, Members agreed to note the presentations on Strategic Objectives, 1, 2 and 5.

23. WALES AUDIT OFFICE ANNUAL IMPROVEMENT REPORT 2014/15

The Wales Audit Officer advised Members that the report concluded the Wales Audit Office's review of the Authority's delivery and evaluation services in relation to 2014/15, and the Authority's arrangements to secure continuous improvement for 2015/16.

The Deputy Chief Officer wished to record that the excellent report is a great reflection of the work and effort of all staff during very challenging times in delivering improving services with fewer resources. The Chair concurred adding that to deliver these improvements during a period of change under the Fire Cover Review is a credit to all those concerned.

RESOLVED THAT

Members agreed to accept the Wales Audit Office Annual Improvement Report 2014/15 for the Authority.

24. INTERNAL AUDIT REPORT

The Internal Auditor updated Members upon the progress being made against the Internal Audit Plan 2015/16.

RESOLVED THAT

24.1 Members agreed to note the work and findings of the Internal Audits.

24.2 Members thanked the Internal Audit Team for their hard work on behalf of the Authority.

25. STATEMENT OF ACCOUNTS 2014/15

The Treasurer advised Members of the South Wales Fire & Rescue Authority's requirement to adopt its Statement of Accounts for 2014/15 by 30 September 2015, by which date the External Auditor is also required to provide his/her opinion on the financial statements. The report and appendix submitted discharges these obligations.

The Treasurer requested that upon scrutiny of the Statement of Accounts for 2014/15 Members report observations or comments directly to him or the Head of Finance & Procurement in advance of the Fire & Rescue Authority meeting.

The Head of Finance & Procurement wished to extend his thanks to the Senior Accountant and her team for completing this significant piece of work and incorporating the recommended changes to the Statement of Accounts in a timely manner to enable the Committee's consideration today. The Chair endorsed the comments.

RESOLVED THAT

25.1 Members agreed to note the report.

25.2 Members agreed to scrutinise the Statement of Accounts 2014/15 and subsequently recommend its formal adoption by the Fire & Rescue Authority on 21 September 2015.

26. AUDIT OF FINANCIAL STATEMENTS – REPORT TO THOSE CHARGED WITH GOVERNANCE (AUDIT OF FINANCIAL STATEMENT REPORT)

The Appointed Auditor provided Members with an opinion on the truth and fairness of the financial statements for the year ended 31 March 2015.

RESOLVED THAT

- 26.1 Following consideration, Members agreed to note the letters of representation included in the Audit of Financial Statement Report.
- 26.2 Members agreed to delegate authority to the Treasurer for these to be reviewed and finalised on behalf of the Authority.

27. REVENUE BUDGET 2016/17 UPDATE

The Treasurer provided Members with an update on the progress of the preparation for the revenue budget 2016/17 and the communications between the Authority and constituent councils in this respect.

RESOLVED THAT

Following debate and a question and answer time, Members agreed to note the progress to date and the correspondence with constituent councils.

28. FORWARD WORK PROGRAMME

The Deputy Chief Officer presented the Committee's Forward Work Programme.

RESOLVED THAT

Members accepted the Forward Work Programme.

REVENUE MONITORING REPORT 2015/16

SUMMARY

The Revenue Monitoring Report provides detail of the annual revenue budget and associated information for the year ending 31 March 2016.

RECOMMENDATION

That the Finance, Audit & Performance Management Committee accept the report content.

1. BACKGROUND

- 1.1 This report updates Members with changes since previous reporting to the Finance, Audit & Performance Management (FAPM) Committee on the 14 September 2015.
- 1.2 Appendix 1 details the original and revised budget, transactions to date, the forecast outturn position and variance analysis. Appendix 2 provides a narrative in support of the variance analysis and Appendix 3 presents the impact on useable reserves.
- 1.3 Due to the implementation of the new CoreHR system, a detailed forecast and variance analysis of the salary budget has not been undertaken. The first phase of the new system has been implemented and in place since 1 October with subsequent phases due for installation.

2. ISSUE

- 2.1 The current forecast for the year is an under spend of £653k and increase of £63k since previous reporting.
- 2.2 A basic extrapolation of month to date salaries has been undertaken which has reduced the previous projection in employee costs by £194k.
- 2.3 Non employee related projections have increased by £131k. Reducing the previously reported under spend of £628k to £496k. Appendix 2 provides narrative on the contributing budgets.
- 2.4 It is useful to note that the variance in the income budget heading of £352k offsets variances in a number of expenditure above. This is due to the grossing out of expenditure and income ensuring more accurate

forecasting and future budgeting whilst informing the debtors section of the requirement to invoice (bill).

3. FINANCIAL IMPLICATIONS

- 3.1 A projected under-spend on the revenue budget equating to £653k.
- 3.2 The redeployment of surplus to useable reserves at year end Appendix 3.



4. EQUALITY RISK ASSESSMENT

- 4.1 There are no ERA impacts directly from this report, assessment of departmental budgets is carried out by individual departments in conjunction with the business planning process. This is further explored via the procurement process in sourcing goods/services described within this report.

5. RECOMMENDATION

- 5.1 That the Finance, Audit & Performance Management Committee accept the report content.

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

SOUTH WALES FIRE & RESCUE SERVICE							
BUDGET MONITORING 2015/16					APPENDIX 1		
		Original Budget 2015/16 £	Revised Budget (vired budget) 2015/16 £	Actual at 30.09.15 £	Forecast 31.03.16 £	Over/Under Spend £	Over/ Under Spend %
Employee Costs							
	Salaries, NI & superann.	52,093,393	52,357,701	25,420,564	52,058,549	299,152	0.4%
		52,093,393	52,357,701	25,420,564	52,058,549	299,152	
	Pensions	761,759	761,759	322,536	918,509	-156,750	-0.2%
	Travel and Subsistence	460,000	460,000	156,386	446,099	13,901	0.0%
	Total Employee Costs	53,315,152	53,579,460	25,899,486	53,423,157	156,303	0.2%
	Premises Related Expenses	4,580,449	4,577,803	1,880,309	4,810,410	-232,607	-0.3%
	Training Expenses	1,292,413	1,289,274	516,804	1,395,463	-106,189	-0.2%
	Supplies & Services	3,293,179	3,300,084	2,115,406	3,301,977	-1,893	0.0%
	Transport Related Expenses	1,515,543	1,514,882	758,310	1,382,503	132,379	0.2%
	Third Party Payments (contracted services)	715,121	744,661	428,126	892,024	-147,363	-0.2%
	Capital costs / leasing	4,456,002	4,456,002	2,192,720	4,511,780	-55,778	-0.1%
	Contingency	850,000	555,692	0	0	555,692	0.8%
	Income	-1,139,282	-1,139,282	-672,745	-1,491,464	352,182	0.5%
	CONTRIBUTION BUDGET 2015/2016	68,878,577	68,878,577	33,118,416	68,225,850	652,727	0.9%
Key							
	 Overspend						
	 Underpend						

1. EMPLOYEE COSTS

- 1.1 A £17k increase in ill health retirement costs is the result of 1 additional retirement since previous reporting.

2. PREMISES RELATED EXPENSES

- 2.1 The projected over spend has increased by £165k and comprise the following areas:-

- **Planned and reactive property maintenance**

A potential £143k increase in the repair costs are offset by a £70k under spend in planned works providing a net increase of £73k overall. Planned works have been scaled back to accommodate the repair requirements to appliance bay doors and Health and safety works.

- **Ground Maintenance**

The care of trees on our sites was completed at the very end of last financial year pushing the costs into 14/15 and resulting in a £13k under spend on the 15/16 budget

- **Rates**

A £20k under spend relates to rebates for Cefn Forest and Bargoed Fire Station.

- **Security**

In order to address ongoing and heightened security requirements an additional £114k has been added to the previously reported forecast. This is to accommodate the maintaining of security levels at Lanelay Hall until the completion of sale, additional security at Porth and Blaina Fire Stations, as a result of closure and finally at SWFRS Headquarters to support our heightened response to external threats.

- **Cleaning**

An additional £11k is required to align the 15/16 forecast with 14/15 spends as guide to actual spending.

3. TRAINING

- 3.1 The additional £18k variance relates mainly to a £12k security course for 6 members of the UKISAR team, 50% of these costs will be recovered from CFOA; the income budget line has been increased accordingly.

4. TRANSPORT

4.1 The under spend has increased by £55k and is primarily due to a saving of £48k on provided cars.

- 21 pool cars will not be replaced during the year resulting in a £27k reduction in costs
- Confirmation has also been obtained from HMRC that all VAT can be recovered on pool vehicles resulting in an additional £15k saving.
- An additional saving of £7k on fuel costs.

5. THIRD PARTY PAYMENTS (contracted services)

5.1 An anticipated over spend of £142k has been identified since previous reporting as follows:-

- £26k - legal fees for Joint Fire Control Project
- £92k - employment tribunal costs
- £24k - consultancy fees to facilitate the drafting of a planned maintenance schedule in line with the property stock condition outcomes,

6. CAPITAL COSTS

6.1 The projected cost of financing capital investment has decreased by £86k since previous reporting although overall it is envisaged that there will be an over spend of £56k, if the capital forecast materialises as an actual. This change is the result of the £2.481 million capital receipt for Lanelay Hall being used to reduce borrowing (internally), providing a £79k decrease in the minimum revenue provision (MRP). In addition, an 8k saving in lease buy out costs has been achieved via negotiation with the supplier.

7. INCOME

7.1 A projected £58k increase in income:-

- £14k - from Mid & West FRS for the joint Fire Control Project
- £10k - CFOA for security training course and vaccinations for UKISAR team
- £17k - CFOA for deployment of ISAR team to Nepal
- £35k - insurance settlement for the replacement of stolen goods from Cardiff Gate

Appendix 3

REVENUE RESERVES

	Balance at 1 April 2015	In year movements	Projected Balance at 31 March 2016
REVENUE			
General Reserve	3,000		3,000
Managed Under Spend C/F	84		84
Fuel Management Reserve	14		14
Day Crewing Protection Reserve	407		407
Change Management Reserve	7,538	653	8,191
	11,043	653	11,696
CAPITAL			
Capital Receipts Reserve	313	2,669	2,982
	11,356	3,322	14,678

CAPITAL MONITORING REPORT 2015/16

SUMMARY

The Capital Monitoring report provides detail of the annual capital budget, expenditure to date and forecast outturn position.

RECOMMENDATION

That Members agree the progress of the capital schemes, approve amendments identified in Appendix 1 and agree the associated funding streams.

1. BACKGROUND

- 1.1 This report provides an explanation of changes since previous reporting to the 14 September 2015 Finance, Audit & Performance Management (FAPM) Committee. Appendix 1 illustrates all relevant budget information.
- 1.2 In summary, the total available budget equates to £9.7 million, 14/15 slippage of £4.1 and annual budget of £5.5 million. A forecast position for the 31 March 2016 and slippage equating to £6.4 million and £2.8 million respectively and a net saving of £0.4 million which has been identified through the course of the budgeting process.
- 1.3 Appendix 1 provides a detailed breakdown of the schemes contributing to the aforementioned position together with the necessary financing arrangements.
- 1.4 Due to the level of slippage in the capital programme a mid year review has been undertaken which considered bids for 2016/17 to ascertain 'deliverability' in the current year. 2 schemes were identified, Abertillery station refurbishment and the renewal of the service gas tight suits provision.
- 1.5 This report provides a narrative update in support of figures detailed in Appendix 1.

2. ISSUE

2.1 Property

2.1.1 Wholetime Station Refurbishments

Penarth

The Property Steering Group met in September 2015 to discuss progression of the 'value engineering' works to reduce project costs within the region of £1 million.

Forecast information has been refreshed and it is estimated that £25k will be spent on design and planning fees at the end of this year and the remaining budget i.e. slippage will accommodate construction costs due to be incurred in 2016/17.

Members should note that works will not progress until the outcome of the ongoing Special Appliance Review and as such, these figures may be subject to change. The Review is expected to complete before the end of the calendar year, at which point the Strategic Property Manager will be able to provide an informed update (pending recommendations to SMT and FA).

2.1.2 Retained Duty Station Refurbishments

2.1.2.1 Blaina

Per previous reporting slippage of £500k has been re-allocated to fund works at Abertillery station in the first instance with the remaining balance to Aberdare station (both below).

2.1.2.2 Abertillery

Per 1.4, above, this scheme has been brought forward from 2016/17 on the basis that the costs are acceptable and the property dept can accommodate these works as replacement for 'slipped schemes'.

2.1.2.3

Current estimates are in the region of £180k and accommodate a collaborative sharing agreement between South Wales Fire & Rescue Service (SWFRS), Gwent Police (GP) and Welsh Ambulance Service Trust (WAST). Contributions from both parties are expected although the detail of this is yet to be agreed and as such, has not been built into financing

streams. Contributions could take the form of an upfront lump sum (less risky for SWFRS) or a schedule annual income streams.

2.1.3 **Planned and Preventative Maintenance**

Two major roof repairs are identified at Barry £56k and Maesteg £50k. B oiler replacement costing £40k at Bridgend Station was programmed for this financial year however this has been slipped into 2016/17 as the existing boiler remains in working order.

2.2 **Vehicle Replacement Programme (VRP)**

2.2.1 Water Ladders

The previous forecast was based on each of the 5 2015/16 appliances being fitted with a flow meter. A flow meter allows increased accuracy in the monitoring and control of water through the hoses of an appliance. Clarification has now been provided from the Fleet Manager which confirms only 1 of the appliances will have this facility. In addition, each appliance is to be fitted with fleet data transfer software which allows for remote diagnostics. The net saving for these changes is £44k.

2.2.2 Utility 4 Wheel Drive (4WD)

A £2k saving has been reported due to the tendering process and subsequent contract award for the purchase of the Water Rescue 4WD vehicle.

2.2.3 Mobile Occupational Health Unit

Specification and contract award is now complete. Total project costs are expected to be £43k, a saving of £5k since last report.

2.3 **ICT**

2.3.1 HR/Payroll System

Total project costs have increased by £15k since previous reporting impacting both current year forecasts and slippage, i.e. £40k and £52K. This is due to an increase in consultancy services to overcome software issues and ensure project implementation. Members will be aware that collaboration with Mid & West Wales Fire & Rescue Service (MWWFRS) has created several challenges resulting in time delays.

2.3.2 Command and Control System (Joint Fire Control)

The collaboration agreement is now in place and contains all expected implementation costs to be capitalised in line with organisational policy. As a result expected costs equate to £870k, with a 50/50 split between SWFRS and MWWFRS. Therefore, the current SWFRS forecast is £435k, an increase of £294k since the last report when full costs were not known.

2.3.3 It is envisaged that the system should be utilised for testing and training this financial year with official 'go live' in May 2016. A further detailed report outlining progress of this project will be presented to the next meeting.

2.4 **Equipment**

2.4.1 CCTV for Appliances and Body Cameras

The specification is complete although due to the value of the project, requires a European Tendering process (OJEU). Timescales are longer than standard (UK) processes although the process should be completed during the last quarter of 2015/16. Due to these timeframes, only a third of the equipment will be delivered and operational in the current year. As a result, the forecast has been revised down to £35k and the balance of £65k slipped into next year.

2.4.2 Gas Tight Suits

Per the mid term review (1.4 above) this project has been advanced from 16/17. A number of options are in consideration and costs are expected to be in the region of £135k and will be determined by replacement need, bearing in mind the above service constraints.

2.4.3 The Operations Risk Management (ORM) team have identified the necessity to replace gas tight suits, which are used in attendance of hazardous material incidents. Suit manufacturers stipulate that the suits have a 10 year life span, which is the age of the current provision.

2.4.4 As the suits are 'off the shelf', ORM and Procurement departments are confident that they can be sourced and brought into operation this financial year.

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 £9.7 million, compared to the forecast investment costs of £6.4 million, result in £2.8 million of slippage and £0.4 million of savings.
- 3.2 The schedule of financing capital investment is also illustrated in Appendix 1. There has been one significant change since previous reporting, the inclusion of the £2.5 million capital receipt in respect of the Lanelay Hall disposal. This is in line with the treasury strategy set for the year and the treasury mid term report, also on this committee agenda.

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 Members agree the progress of the capital schemes, approve amendments identified in Appendix 1 and agree the associated funding streams.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Revenue/Capital Budget Determination Report Capital Monitoring working papers 2014/15 Budget Holder Reports

Capital Programme 2015/16						APPENDIX 1	
	2014/15 Slippage £'000	2015/16 Budget £'000	Actual as at 07.10.15 £'000	Committed as at 07.10.15 £'000	Outturn Position 31.03.2016 £'000	Budget under/(over) spend £'000	Slippage c/f 2016/17 £'000
PROPERTY							
<i>Land Acquisitions;</i>							
Pontypridd	0	425	0	0	0	0	425
South Cornelly	0	325	0	0	0	0	325
<i>Station Refurbishments - Wholetime;</i>							
Penarth	19	1,856	3	8	25	850	1,000
Aberdare	1,534	115	606	1,024	1,669	-20	0
Ebbw Vale	0	0	36	3	39	-39	0
<i>Station Refurbishments - RDS;</i>							
Blaina Station	500	0	0	0	0	500	0
Abertillery	0	0	0	0	180	-180	0
Planned & Preventative Maintenance	96	60	53	3	106	10	40
LED Lighting project	0	0	0	0	83	-83	0
SUB TOTAL	2,149	2,781	698	1,038	2,102	1,038	1,790
VEHICLES							
Water ladders	241	1,203	0	532	1,237	207	0
Aerial Appliances	300	0	125	129	300	0	0
Rescue Tenders	960	592	996	248	995	-35	592
Utility 4WD	0	250	0	210	282	-32	0
Vans (light vehicles)	36	155	37	112	129	62	0
Incident Control Unit (ICU)	65	0	0	0	0	0	65
Mobile Occupational Health Unit	0	0	0	16	43	-43	0
SUB TOTAL	1,602	2,200	1,158	1,248	2,987	158	657
ICT							
Finance/Procurement	22	0	1	0	22	-0	0
HR/Payroll	77	0	19	48	40	-14	52
Alerters	0	0	2	0	2	-2	0
ICT Replacement Program	298	100	395	157	611	-213	0
Additional Storage	0	25	26	0	26	-1	0
Service Desk System	0	50	0	0	0	50	0
Command and Control System (Joint Control Project)*	0	0	0	467	435	-435	0
SUB TOTAL	397	175	444	671	1,136	-616	52
Equipment							
Accelerate Dual Thermal Camera	0	30	0	0	30	0	0
CCTV for Appliances & Body Cams	0	100	0	0	35	0	65
ICU Equipment	0	220	0	0	0	0	220
Gas Tight Suits	0	0	0	0	135	-135	0
SUB TOTAL	0	350	0	0	200	-135	285
TOTAL	4,148	5,506	2,300	2,956	6,425	446	2,784
					Funding		
					Borrowing	3,705	
					Revenue Contribution	239	
					Revenue Reserves	0	
					Capital Receipt	2,481	
						6,425	

* 50% of all costs incurred are recoverable from Mid and West Wales Fire and Rescue Service as part of the Joint Control Project collaboration agreement.

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

AGENDA ITEM NO 7
23 NOVEMBER 2015

REVENUE BUDGET ESTIMATE 2016/17

SUMMARY

This report advises Members on progress towards the revenue budget approval for 2016/17 and sets out the proposed budget for consultation with the 10 constituent Authorities.

RECOMMENDATIONS

That for the purposes of consultation, Members recommend to the Fire & Rescue Authority an estimate of net expenses of £69,431,075 for the financial year 2016/17.

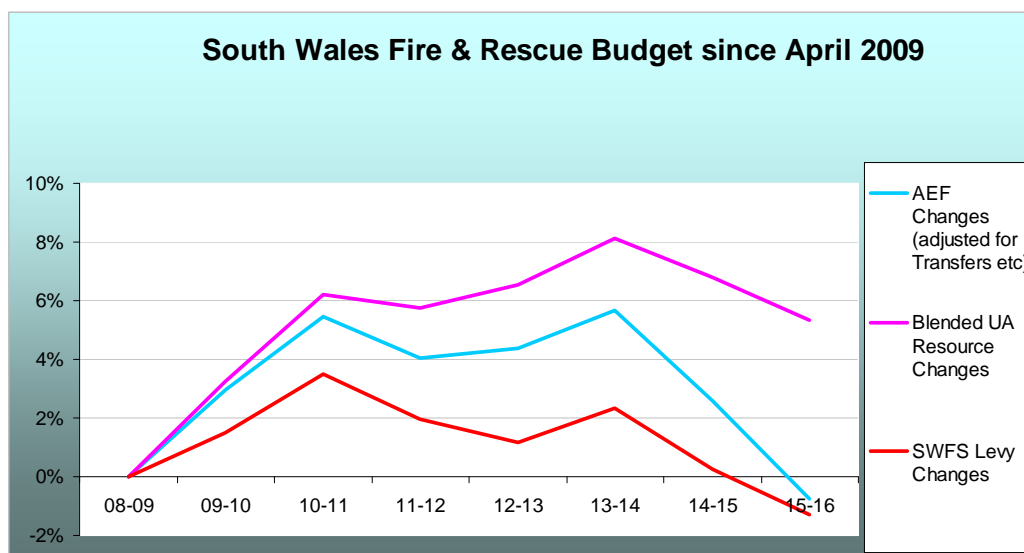
1. BACKGROUND

- 1.1 Members will be aware that under the South Wales Fire Services (Combination Scheme) Order 1995 (as amended), the Authority shall:
- 1.2 *“before 31 December in any year submit to each constituent authority an estimate of its net expenses for the next year, and shall subsequently, before 15 February, give notice to each constituent authority of the amount of contribution to be paid by that authority in the next financial year”.*
- 1.3 Following reports to the Fire & Rescue Authority, the Finance, Audit & Performance Management Committee and the Working Group on the Medium Term Financial Strategy and approach to the 2016/17 budget, the budget has now been finalised for consultation.
- 1.4 The Authority commenced the budget process on the back of an agreed 1.54% reduction in the 2015/16 budget despite the substantial reduction in community safety grant announced by the Minister late in the budget cycle. The Authority took the decision that the continuation of this preventative work was vital in reducing risk in South Wales and accordingly funded the work from a combination of efficiency savings and virement in the approved budget.
- 1.5 The current financial year has seen austerity continue apace and with it, the added pressures of increasing expectations on public services but also specific financial pressures imposed by changes in the tax and pensions regime aimed at reducing central government expenditure.

- 1.6 The Fire & Rescue Authority does not have to finalise its budget until February. During last financial year, a decision was taken by the Authority to aim for a December approval of the final budget. This was primarily to give certainty to constituent councils at an earlier stage in their budget cycle. Given the recently announced timing of the draft local government settlement (9 December) which is expected to include information on specific grant funding, early consultation and approval has not been possible for the 16/17 budget.
- 1.7 Accordingly, this report is to finalise the detail of the budget and make a recommendation to the Fire & Rescue Authority meeting on 14 December seeking approval to go to consultation. The intention will then be to make a decision on the final budget at February's Fire & Rescue Authority meeting.

2. LOCAL GOVERNMENT SETTLEMENT

- 2.1 At his time, no announcement has been made regarding the funding available to constituent councils or on specific grant funding. Due to delays imposed by Treasury and Welsh Government arising from the 2015 spending review, the draft stage of the settlement will not be announced until 9 December. The lateness of the announcement of funding represents a significant challenge in terms of proper financial governance and management. Despite the practical and logistical challenges created by the date, the final Local Government Settlement will not now be published until 2 March 2016.
- 2.2 The Fire & Rescue Authority meeting on 14 December will be provided with an update regarding the draft settlement assuming it is published as planned
- 2.3 The Fire & Rescue Authority's decision will be to determine an estimate of its net expenses for the coming year based on the needs of the communities of South Wales. The financial resources available to constituent councils from the local government settlement and local council tax, is not a specific factor in this budget decision. However, in setting its budget, the Fire & Rescue Authority has always sought to be mindful of the need to keep such expenses affordable in the context of the general economic climate in which it and its funding partners operate. The following chart demonstrates the extent to which the Fire & Rescue Authority has achieved this aim since the credit crunch of 2009.



- 2.4 Aggregate External Finance (AEF) is not the only source of funding available to councils to meet expenditure. Councils also raise local taxation. As AEF has been restricted throughout the economic downturn, the balance of funding has been changing with local taxation representing a greater proportion of council's net revenues. In 15/16, local taxation represented around $\frac{1}{4}$ of the net resources available.
- 2.5 It is not possible to know what decisions councils will take around council tax next year but given the historical averages that have been set over the austerity period, an average 4.5% increase in yield is not unlikely.
- 2.6 It is the combined effect of changes in AEF and the yield from council tax which determines the net resources available to local councils.
- 2.7 The Chairman, Chief Fire Officer and Treasurer have visited the constituent councils this year to share information on the activities and performance of the Service in order to promote understanding and joint working in South Wales aimed at mutually reducing risk. The Fire & Rescue Authority has made significant efforts to visit all of the constituent authorities with nine of the ten authorities having been visited to date.
- 2.8 Feedback from these meetings has been of great value in understanding constituent councils' views of the Service and the work it undertakes, whilst also appreciating the budget reductions and efficiencies the Authority has made over these difficult years. The Authority will of course undertake formal consultation in respect of the budget.

3. POPULATION DATA CHANGES

- 3.1 The Fire Combination Order determines total population as the basis on which contributions are shared amongst the constituent councils. Each

year, Welsh Government sources mid-year estimates of population from the Office of National Statistics (ONS) as part of the local government settlement process. The population data therefore not only determines the relative amounts constituent councils contribute towards fire services but also drives how much cash each council derives from the local government settlement process.

- 3.2 The table below shows the change in population data and the cash value of contributions which are shifted before any consideration of a change in the Fire & Rescue Authority budget.

Unitary Authority	15/16 contribution £	15/16 population No.	16/17 population No.	population change		contribution change	
				No.	%	£	%
Bridgend	6,483,332	142,307	143,016	709	0.50%	-1,265	-0.02%
Vale Of Glamorgan	5,854,257	128,499	128,944	445	0.35%	-9,990	-0.17%
Rhondda Cynon Taf	10,731,779	235,559	235,876	317	0.13%	-40,919	-0.38%
Merthyr Tydfil	2,725,371	59,821	60,077	256	0.43%	-2,437	-0.09%
Caerphilly	8,225,773	180,553	180,994	441	0.24%	-22,389	-0.27%
Blaenau Gwent	3,161,824	69,401	69,324	-77	-0.11%	-19,779	-0.63%
Torfaen	4,183,024	91,816	91,996	180	0.20%	-13,391	-0.32%
Monmouthshire	4,188,355	91,933	92,024	91	0.10%	-17,453	-0.42%
Newport	6,817,141	149,634	150,679	1,045	0.70%	12,244	0.18%
Cardiff	16,507,721	362,339	366,761	4,422	1.22%	115,380	0.70%
Total	68,878,577	1,511,862	1,519,691	7,829	0.52%	0	0.00%

- 3.3 The table above demonstrates that the largest cash changes are Cardiff City Council (increase of £115k) and RCT (reduction of £40k). The largest percentage changes are Cardiff (increase of 0.7%) and Blaenau Gwent (reduction of 0.63%). It must again be stressed that these impacts are not within the control of the Fire Authority and at the constituent council level, will add or subtract from any budget determination that the Authority makes.

4. THE BUDGET PROCESS

- 4.1 The proposed budget has been formulated from the approved 2015/16 budget taking into account a number of factors including.

Factor	Activity
identifying and challenging cost pressures within the base budget	<ul style="list-style-type: none"> • Services have been requested to identify cost pressures • Such pressures have been challenged and excluded where an alternative existed • A corporate assessment of the impact of NI changes has been undertaken
identifying and challenging inflation indices	<ul style="list-style-type: none"> • Where inflation is contractual and no other supply option is available, inflation is included • Where inflation is more general in nature, services will be expected to absorb cost increases through general efficiency or local savings initiatives
reviewing the out-turn for 2014/15	<ul style="list-style-type: none"> • The projected under-spend in 14/15 was partly addressed in setting the current year budget in December 2014 • Further identification of savings has been undertaken following the completion of the year end accounts.
reviewing and confirming projects aimed at producing savings	<ul style="list-style-type: none"> • Existing projects have been verified together with assessed timescales for delivery. • Where projects are unlikely to deliver to target, other mitigation has been considered • Ongoing project development is taking place to address future budget savings

- 4.2 The result of this work has been to identify significant cost pressures and budget reductions in arriving at the proposed budget for 2016/17.
- 4.3 Budgets have been challenged by Senior Officers and Members of the Finance, Asset & Performance Management Working Group in order to provide appropriate scrutiny of the proposed budget.

5. SPECIFIC GRANTS

- 5.1 The Authority relies on specific grants from Welsh Government to fund a number of risk reduction and other initiatives. It is important for Members to note that the Fire Authority has no control over the value or extent of such grant funding and as such, the impact of reductions can only be considered as decisions are imposed from elsewhere. A summary of the grant approvals in the current year is shown below.

Grant approvals 2015/16	£
Community Risk Reduction Initiatives	601,956
Urban Search and Rescue (USAR)	813,072
National Resilience	609,726
Crown Premises	60,000
Employability Programme	60,097
Total approvals	2,144,851

- 5.2 In 2015/16, late announcements were made of reductions in specific grants aimed at risk reduction work. In the event that such reductions in specific grants were repeated in 16/17 and the Authority was minded to continue to fund this work from its core budget, further provision may be required. **In the absence of any confirmation of grant reductions at this time, the following estimates included in this report do not include provision to core fund the costs of such risk reduction work. Further consideration of this matter will be reported to the Fire & Rescue Authority should it prove necessary.**
- 5.3 Members have recognised in the past, the critical nature of this risk reduction work both in delivering improved safety in our communities but also in driving down the overall cost of response and fire cover in South Wales. During the visits made to constituent councils this autumn, the Fire & Rescue Authority's view of the importance of the continuation of this work was firmly supported.
- 5.4 The impact of the 50% reductions in Community Safety grant funding in 2015/16 was mitigated by a restructuring of the delivery of community safety work. This enabled continuation of the work at around 2/3 of the previous cost. Consideration of how the remainder of this work could be delivered in the event of further grant reductions is ongoing.

6. ESTIMATE FOR 2016/17

- 6.1 Members are now recommended to confirm the revenue budget estimate which forms the basis of the consultation. The table overleaf summarises the revenue budget movement from current year to next. More detailed information on the estimated budget is provided at Appendix 1.

	£	% change
Net Budget 2015/16	68,878,577	
Indexation – pay	+518,112	+0.8
Indexation – non-pay	+644,246	+0.9
Pressures	+877,479	+1.3
Provision for reduction of specific grants (see section 5 above)	0	0.0
Budget Reductions and Savings	-1,487,339	-2.2
Budget 2016/17	69,431,075	+0.8

- 6.2 In the event that this budget was approved, the resultant contributions would be as shown overleaf.

Council	2015/16 contribution £	2016/17 contribution £	Change	
			£	%
Bridgend	6,483,332	6,534,062	50,730	0.78%
The Vale Of Glamorgan	5,854,257	5,891,145	36,888	0.63%
Rhondda Cynon Taf	10,731,779	10,776,615	44,836	0.42%
Merthyr Tydfil	2,725,371	2,744,776	19,405	0.71%
Caerphilly	8,225,773	8,269,186	43,413	0.53%
Blaenau Gwent	3,161,824	3,167,249	5,425	0.17%
Torfaen	4,183,024	4,203,079	20,055	0.48%
Monmouthshire	4,188,355	4,204,358	16,003	0.38%
Newport	6,817,141	6,884,166	67,025	0.98%
Cardiff	16,507,721	16,756,439	248,718	1.51%
Total	68,878,577	69,431,075	552,498	0.80%

6.3 As stated earlier, the variation in the percentage change at the constituent authority level is entirely caused by the changing population data, data which is also used to determine the level of funding provided to councils in the Welsh Government settlement. The Fire & Rescue Authority cannot influence or change the population basis of the distribution.

7. FINANCIAL IMPLICATIONS

7.1 These are fully identified in the body of the report.

8. EQUALITY RISK ASSESSMENT

8.1 The recommendations of this report will, if adopted, result in reduced revenue budgets in both cash and real terms for 2015/16 over the equivalent amounts for the current year. This will represent a continuous period of real terms reductions.

8.2 The Medium Term Financial Strategy which flows from the Improvement Plan and is the cornerstone in budget construction has been designed to ensure there is no reduction in the quality of front line service delivery and, hence, there will be no disproportionate impact on different categories of people.

9. RECOMMENDATIONS

9.1 That for the purposes of consultation, Members recommend to the Fire & Rescue Authority an estimate of net expenses of £69,431,075 for the financial year 2016/17.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	<ul style="list-style-type: none">• Medium Term Financial Strategy• Local Government Revenue Settlements

Appendix 1 – Revenue Budget 2016/17

Expenditure/Income Head	£
Direct Employee Costs	45,604,398
Indirect Employee Costs	8,162,962
Repair & maintenance	726,895
Lease costs - Occ Health unit	75,000
Grounds maintenance	49,460
Cleaning	385,528
Rates, Rent, Leases etc.	1,090,022
Water	43,400
Energy	667,380
Security	105,996
Telephones/Communications	1,534,457
Training	1,267,440
Seminars/Conferences	55,886
Furniture & equipment	54,271
Operational equipment	283,750
Other equipment	123,860
RTC (scrap vehicles)	50,000
Fitness/training equipment	70,000
Equipment repair & maintenance	168,700
Fire Ground consumables (foam)	20,000
I.C.T.	739,010
Clothing & Uniforms	360,212
Photocopying, printing and stationery	103,712
Postage & freight	18,000
Advertising (vacancies, etc.)	51,708
Licences	46,425
Literature /Books / subscriptions	163,282
Other supplies and services	65,810
Insurances	1,029,761
Fuel	559,635
Fleet	1,022,822
Contracted Services	736,575
Capital Costs and Leasing	4,812,482
Contingency	350,000
Total Expenditure	70,598,839
Income	-1,167,764
Net Budget	69,431,075

TREASURY MANAGEMENT MID-TERM REVIEW REPORT 2015/16

SUMMARY

The Treasury Management Mid-Term Review Report provides an update on the Authority's treasury activities for the period 1 April – 30 September 2015.

RECOMMENDATION

To accept the results and performance of treasury management activities for the above period and recommend approval to the Fire & Rescue Authority.

1. BACKGROUND

- 1.1 The Fire & Rescue Authority approved the Treasury Management Strategy Statement (TMSS) for 2015/16 on 9 March 2015. The TMSS sets out the reporting framework for monitoring performance and compliance of treasury management activities. Appendix 1 presents the detailed statutory and regulatory reporting requirements contained within the TMSS.
- 1.2 In accordance with the internal scrutiny protocol, the Finance, Audit & Performance Management Committee (FAPM) will receive this initial report in order to make a recommendation to Fire & Rescue Authority.

2. ISSUE

- 2.1 The Treasury Management Mid-Term Review Report is attached as Appendix 1 and has been prepared in consultation with Capita treasury management advisers.
- 2.2 Performance and information for the 6 months leading up to 30 September 2015 on agreed prudential and treasury management indicators are also set out in Appendix 1.
- 2.3 The TMSS sets out detailed information in relation to risks associated with treasury management activity, mitigating actions and acknowledgement that the risk cannot be entirely eliminated. The TMSS and the procedures within are intended to limit the Authority's exposure to unforeseen and unbudgeted financial consequences and to ensure that treasury management activity has been conducted in accordance with the agreed strategy to ensure compliance.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications of treasury activities have been factored into the Authority's budgeting processes and reporting cycles. The Medium Term Financial Strategy (MTFS) will be revised to reflect forecast changes in future interest rates along with other factors.

4. LEGAL IMPLICATIONS

- 4.1 The Authority is required to comply with the requirements of the Local Government Act 2003 and to have regard to both the Welsh Government (WG) guidance and the CIPFA Code when determining its treasury management policy and strategies.

5. EQUALITY RISK ASSESSMENT

- 5.1 There are no equality implications resulting directly from this report.

6. RECOMMENDATION

- 6.1 To accept the results and performance of treasury management activities for the period and recommend approval to the Fire & Rescue Authority.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	TMSS 15/16 TM Outturn Report 14/15 Revenue/Capital Monitoring Reports Capita service information

APPENDIX 1

1. Background

The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

Treasury management can be defined as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Authority on 26 March 2012.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
2. Creation and maintenance of Treasury Management Practices (TMPs) which set out the manner in which the Authority will seek to achieve those policies and objectives.
3. Fire Authority receipt of an annual Treasury Management Strategy Statement (TMSS) - including the Annual Investment Strategy (AIS) and Minimum Revenue Provision (MRP) Policy - for the year ahead (reported 16 March 2015), a **Mid-year Review Report** (this report) and an Annual Review Report (stewardship report) covering activities during the previous year.

4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is Finance, Audit & Performance Management (FAPM) committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2015/16 financial year;
- A review of the TMSS and AIS;
- The Authority's capital expenditure (prudential indicators);
- A review of the Authority's investment portfolio for 2015/16;
- A review of the Authority's borrowing strategy for 2015/16;
- A review of any debt rescheduling undertaken during 2015/16;
- A review of compliance with Treasury and Prudential Limits for 2015/16.

The following represent the key Changes to the Treasury and Capital Strategies since the strategy was agreed;

Changes in credit rating methodology

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

In keeping with the agencies' new methodologies, the credit element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used by Standard & Poor's, this has been a change to the use of Fitch and Moody's ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this Authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AA+. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution, merely a reassessment of their methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

Recommendations

The FAPM Committee is asked to recommend the following to the full Authority:

- Note the report, the treasury activity and recommend approval of any changes to the prudential indicators.
- Recommend approval of any changes to the investment criteria to full Authority.
- Recommend approval of the changes to the credit methodology whereby viability, financial strength and support ratings will not be considered as key criteria in the choice of creditworthy investment counterparties.

3. Economic update

3.1 Economic Performance to date and outlook

UK

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 rate was also the strongest UK rate since 2006 and the 2015 rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. Growth is expected to weaken in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on disposable incomes has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to around zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.

The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected. This will make it more difficult for the central banks of both the US and the UK to increase rates, especially given the recent major concerns around the slowdown in Chinese growth, the knock on effect on earnings of emerging economies (countries) from falling oil and commodity prices, and the volatility we have seen in equity and bond markets, which could potentially impact real economies rather than just financial markets.

USA

The US economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015. While there had been confident expectations during the summer that the Federal Reserve

(Fed) could start increasing rates at its meeting on 17 September, or if not by the end of 2015, the recent downbeat news about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 into 2016.

EZ

In the Eurozone (EZ), the European Central Bank (ECB) unleashed a massive €1.1 trillion programme of quantitative easing (QE) in January 2015 to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 but came in at +0.4% in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

3.2 Interest rate forecasts

The Authority's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established and accompanied by rising inflation and consequent increases in Bank Rate and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to

compound this effect as recovery will encourage investors to switch from bonds to equities.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners i.e. EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporate destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates:

- Uncertainty around the risk of a UK exit from the EU.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

4. Treasury Management Strategy Statement and Annual Investment Strategy update

The TMSS for 2015/16 was approved by this Authority on 16 March 2015 and there are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved through monitoring reports.

5. The Authority's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Authority's capital expenditure plans;

- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at budget setting i.e. 15 December 2014.

£000's	2015/16 Original Budget	Current Position	2015/16 Outturn Forecast
Capital Expenditure	8,740	2,300	6,450

As per capital monitoring process the variance between the original budget and forecast outturn position is largely attributable to the strategic property review. The original budget contains estimated acquisition costs that have not yet materialised in addition to a realignment of schemes for property investment with risk profiles.

5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the unsupported elements and the expected financing arrangements. Borrowing increases the underlying indebtedness of the Authority by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (MRP). This borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure £000's	2015/16 Original Estimate £m	Current Position £m	2015/16 Revised Estimate £m
Total capital expenditure	8,740	2,300	6,450
Financed by:			
Capital receipts	1,900	0	2,481
Capital grants	0	0	0
Capital reserves	0	0	0
Revenue	200	156	239
Total financing	2,100	156	2,720
Borrowing requirement	6,640	2,144	3,730

The original estimated capital receipt of £1.9 million relates to the sale of Lanelay Hall. The sale was not been completed as the 'preferred bidder' withdrew interest in the site since the writing of the TMSS. This has since been re-marketed, a preferred bidder identified and the sale process is currently being progressed, pending planning permission. The sale is anticipated to take place this year and a remaining balance of £600k is receivable 12 months after the completion date.

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR) External Debt and the Operational Boundary

The table below shows the CFR, which represents the underlying need to borrow for capital purposes. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

Due to variations in the capital programme the estimated level of CFR at £50.7 million will not materialise. The revised position of £47million is detailed in the following tables.

Prudential Indicator – the Operational Boundary for external debt

The original estimates have proved sufficient and that the current position can be contained within the operational boundary set for the year and to this end, there is no requirement to revise the indicators at this stage.

£000's	2015/16 Original Estimate	Current Position	2015/16 Revised Estimate
Prudential Indicator – Capital Financing Requirement			
CFR	50,710	46,164	47,027
Net movement in CFR	3,644		-3,683
Prudential Indicator – the Operational Boundary for external debt			
Borrowing	50,000	40,001	50,000
Other long term liabilities*	10,000	5,537	10,000
Total debt (year end position)	60,000	45,538	60,000

* On balance sheet PFI schemes and finance leases.

5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for

a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

As detailed in the below table, gross borrowing will temporarily exceed CFR by approximately £641k as a result of borrowing potential in the last quarter of the financial year. The level of borrowing will be determined by capital expenditure and the retirement profile of operational staff, although it will remain within the operational and authorised borrowing limits.

£000's	2015/16 Original Estimate	Current Position	2015/16 Revised Estimate
Borrowing	39,456	40,001	42,131
Other long term liabilities*	5,990	5,537	5,537
Total debt	45,446	45,538	47,668
CFR* (year end position)	50,710	46,164	47,027

**Includes on balance sheet PFI schemes and finance leases.*

Note: All figures are as at year 31st March

The Treasurer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. As the current position falls within the parameters of both Operational and Authorised limits, changes to these limits are not required.

Authorised limit for external debt	2015/16 Original Indicator	Current Position	2015/16 Revised Indicator
Borrowing	52,000	40,001	52,000
Other long term liabilities*	10,000	5,537	10,000
Total	62,000	45,538	62,000

**Includes on balance sheet PFI schemes and finance leases etc.*

6. Investment Portfolio 2015/16

In accordance with the Code, it is the Authority's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Authority's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

The Authority holds a total balance of £7,037,629 in call and deposit accounts as at 30 September 2015 (£12,884,226 at 31 March 2015) and the investment portfolio yield for the first six months of the year is 0.7% against a 7 day benchmark rate of 0.36%. The 7 day rate is comparative as we have instant access to our money.

Investment performance for half year to 30th September 2015

Benchmark	Benchmark Return	Authority Performance	Counter Party	Investment Interest Earned £
7 day	0.36%	0.70%	Barclays	29,619
7 day	0.36%	0.25%	Natwest	4,544

The Treasurer confirms that the approved limits within the AIS were not breached during the first six months of 2015/16.

The Authority's budgeted investment return for 2015/16 is £80,400 with the profiled budget indicating an estimated level of £40,200 at 30th September. There has been an underachievement on this by £6k as returns received to date total £34,163. The average book rate is 0.70% with the majority of balances held with Barclays (as above), the highest earning account. This reduction is the result of a rate decrease with our major banking provider i.e. Barclays, from 0.80 – 0.70% commencing the beginning of the financial year and after the budget had been set and is in addition to reducing cash balances

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function. Due to a slight change in sovereign ratings a revised list of approved countries for investments (based on lowest available rating) are as follows;

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- Netherlands
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- Qatar

AA-

- Belgium
- France (was AA)
- Saudi Arabia

7. **Borrowing**

The Authority's estimated CFR for 2015/16 is £47 million (as above). If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

Table 5.4 shows the Authority currently has gross borrowing of £45.5m and has utilised £2.3m of cash flow funds in lieu of borrowing to date. This is a prudent and cost effective approach in the current economic climate although it is anticipated that external borrowing will be undertaken towards the end of the financial year with the PWLB, in addition to the acceptance of 2 interest free loans provided by Welsh Government and an intergovernmental agency to support specific capital schemes.

8. **Debt Rescheduling**

No debt rescheduling was undertaken during the first six months of this financial year.

INTERNAL AUDIT REPORT

SUMMARY

This report updates Members upon progress being made against the Internal Audit Plan 2015/2016.

RECOMMENDATION

That Members accept the work and findings of the Internal Audit.

1. BACKGROUND

- 1.1 As Members will be aware, TIAA Ltd are appointed as the Authority's Internal Auditors to undertake work covered in the Internal Audit Plan 2015/2016 which was approved by this Committee on 9 March 2015.
- 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 Good progress of internal audit reviews has been made with three final reports being issued. The areas covered are Operational Review of Board Assurance Framework, Purchasing Cards & Fuel Cards, and Governance of Partnership Arrangements. Scopes have been prepared for other areas and the Summary Internal Audit Progress Report written by TIAA Ltd is attached as Appendix 1.

2.2 Operational Review of Authority Assurance Framework

- 2.2.1 The review considered the actions taken by the organisation to put in place an effective process for mapping the assurance received against the risks associated with the achievement of the corporate objectives, and to provide a structured internal control assurance environment, including the appropriateness of the monitoring arrangements.
- 2.2.2 The review is deemed an operational assessment and therefore no assurance level is provided. The work of identifying improvements in assurance mapping is ongoing between the Service and the

internal auditors, and a Follow Up report will be provided at the end of the financial year.

2.2.3 The current report highlights three recommendations and six areas of operational effectiveness, and is provided in full in Appendix 2.

2.3 Purchasing Cards & Fuel Cards

2.3.1 This audit reviewed the arrangements for:- the identification of need, sourcing, approving and receipt of the goods and services through the use of purchasing and fuel cards. The review also considered the effectiveness of the monitoring arrangements for the procurement and the fuel card purchases made by the Service.

2.3.2 The audit received a reasonable level of assurance with four important recommendations, and five routine. One area of operational effectiveness was also identified. All of the recommendations were accepted and implemented following the completion of the audit.

2.4 Governance Partnership

2.4.1 This review considered the arrangements in place for working in partnership with other bodies, and the extent to which the arrangements mitigate against any current financial liability, and also any residual financial liability for the Authority after the partnership is concluded. The review also included consideration of the extent to which the arrangements accord with best practice guidance on partnership arrangements.

2.4.2 The audit received a reasonable level of assurance with one important recommendation, and one area of operational effectiveness.

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 That Members accept the work and findings of the Internal Audit.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Appendix 1 – Summary Internal Audit Progress Report Appendix 2 – Operational Review of Board Assurance Framework Appendix 3 – Purchasing Cards & Fuel Card Appendix 4 – Governance Partnership



South Wales Fire and Rescue Service

Summary Internal Audit Progress Report

2015/16

FINAL

October 2015

Summary Internal Audit Progress Report – October 2015

Summary Internal Audit Progress Report October 2015

INTRODUCTION

1. This Summary Report provides the Finance Audit and Performance Management Committee with an update on the Controls Assurance framework at South Wales Fire and Rescue Service as at 26th October 2015 following our work undertaken to date in 2015/16. The Summary Internal Controls Assurance report ('SICA') is based on the internal audit work carried out by TIAA and management representations that have been received during the period.

PROGRESS AGAINST THE 2015/16 ANNUAL PLAN

2. Work for the Annual Plan for the year 2015/16 agreed at the Finance Audit and Performance Management Committee in March 2015. Our progress against the plan to 26th October 2015 is set out in Appendix A.

AUDITS CARRIED OUT

3. The table below sets out details of audits carried out since the previous meeting of the Finance Audit and Performance Management Committee.

Review	Evaluation	Number of Recommendations			1	2	3	OEM
		Draft issued	Responses received	Final issued				
Assurance Framework	None given	20/08/2015	03/09/2015	04/09/2015	0	1	2	6
Purchasing and Fuel Card Arrangements	Reasonable	28/07/2015	03/09/2015	15/09/2015	0	4	5	1
Governance - Partnerships	Reasonable	07/10/2015	12/10/2015	13/10/2015	0	1	0	1
Estate Management - Energy	Reasonable	06/10/2015			0	3	3	3

Summary Internal Audit Progress Report – October 2015

CHANGES TO THE ANNUAL PLAN

4. The review of HR Management responsibilities was replaced with a review of Health and Safety Management and the fieldwork has recently been completed.

LIAISON MEETINGS

5. We have ongoing liaison meetings with the Wales Audit Office (WAO) and the External Auditor as required. No meetings have been held since the last report.

FRAUDS/IRREGULARITIES

6. We have not been advised of any frauds or irregularities during the period.

PROGRESS IN ACTIONING PRIORITY 1 RECOMMENDATIONS

7. The priority 1 recommendations made in previous Audit Reports have been completed.

PERFORMANCE MONITORING

8. Three 2015/16 reports have been finalised as at 26th October 2015. The performance against targets for finalised reports to date are:

Achievement of the plan

- Completion of Audits with the agreed timetable and budget – **100% target – 80% actual (1 review deferred)**
- Number of Audits conducted vs number of Audits Planned – **100% target – 80% actual (1 review deferred)**

Reports Issued

- Draft issued within 10 working days of exit meeting – **95% target – 100% actual**
- Number of days between draft and final reports – **Less than 20 – less than 20 for all finalised to date**
- Final issued within 10 working days of receipt of responses – **100% target – 100% actual**

Recommendations

- Recommendations accepted – **90% target – 100% actual**

RESPONSIBILITY

9. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or

Summary Internal Audit Progress Report – October 2015

irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud. Reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

Appendix A





PROGRESS AGAINST THE ANNUAL PLAN FOR 2015/16

System	Planned Qtr	Current Status	Revised Qtr	Audit Observations
Governance - Performance Management	1	Final report issued.	1	
Governance - Partnerships	1	Final report issued.	2	
Risk Management – Assurance Framework	1	Final report issued.	1 - 3	
Asset Registers	1	Final report issued.	1	
Pensions Scheme Administration	1	Final report issued.	1	
Purchasing Cards and Fuel Cards	2	Final report issued.	2	
Station Visits	2	Draft report issued 22 nd July 2015.	2	Awaiting Management comments.
Health and Safety Management	2	Fieldwork 21 st – 23 rd October 2015	3	Replacement for HR Management Responsibilities review.
New HR/Payroll System	3	Originally planned for early September, awaiting new date confirmation.		Date likely to move according to planned system implementation.
Estates Management – Energy	3	Draft report issued 6 th October 2015	2	
Key Financial Controls	4	Planned start date 4 th January 2016.		

Summary Internal Audit Progress Report – October 2015

System	Planned Qtr	Current Status	Revised Qtr	Audit Observations
Follow Up	4	Planned start date 26 th January 2016.		

KEY:

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



South Wales Fire and Rescue Service

Operational Review of the Authority Assurance Framework

2015/16

FINAL

September 2015

Operational Review of the Authority Assurance Framework (BAF)

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p> <p>No overall assurance assessment is provided as this was an operational, rather than an assurance review.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> A significant amount of work has been completed in developing the Strategic Planning Framework and the Strategic Plan for 2015-2020 and the risk management arrangements have been refined to include a greater differential in impact. To fully develop an AAF there is a need to assess the risks, assurances and associated performance measures to achieving the strategic objectives. 								
<p>SCOPE</p> <p>The review considered the actions taken by the organisation to put in place an effective process for mapping the assurance received against the risks associated with the achievement of the corporate plan objectives to provide a structured internal control assurance environment including the appropriateness of the monitoring arrangements. The scope of the review does not include providing assurance that the arrangements cover all the risks facing the organisation or that the controls and/or</p>	<p>ACTION POINTS</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>1</td> <td>2</td> <td>6</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	-	1	2	6
Urgent	Important	Routine	Operational						
-	1	2	6						

<p>monitors identified by the organisation are operating continuously and effectively.</p>	
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Executive Summary

INTRODUCTION

1. This review was included in the 2015/16 Annual Plan to support Officers in development of an Authority Assurance Framework (AAF). An initial presentation on the principles of AAF was given to the Senior Management Team in February 2015. A number of subsequent meetings have been held with the Head of Finance and Procurement and the Head of Service Performance and Communications to appraise the arrangements being put in place. This review considers the strategic planning framework in place and sets out the next steps in coordinating the development of a full AAF along with an assessment of the Assurance from the Internal Audit reviews by TIAA since appointment in 2012/13 to assist with the assurance mapping process. The review was carried out in August 2015. No overall assurance assessment is provided as this was an operational, rather than an assurance review.

SCOPE AND LIMITATIONS OF THE REVIEW

2. The review considered the actions taken by the organisation to put in place and effective process for mapping the assurance received against the risks associated with the achievement of the corporate plan objectives to provide a structured internal control assurance environment including the appropriateness of the monitoring arrangements. The scope of the review does not include providing assurance that the arrangements cover all the risks facing the organisation or that the controls and/or monitors identified by the organisation are operating continuously and effectively. 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.

KEY FINDINGS & ACTION POINTS

3. A significant amount of work has been completed in developing the Strategic Planning Framework and the Strategic Plan for 2015-2020 including defining key strategic objectives which have been codified into priority actions which are in turn captured in departmental business plans. These actions are monitored at strategic level by the Lead Officer for the action in the on-to-one meetings with the business plan owners and reported to the Finance Audit and Performance Committee (FAPM) and Fire and Rescue Authority as appropriate. The Risk Management process has been refined to further differentiate the impact of each risk by using a larger differential score. Risks are considered at the operational plan level with each risk mapped to the priority actions. To fully develop an AAF there is a need to fully assess the risks which effect the achievement of the priority actions and strategic objectives and map the current sources of assurance with any gaps in the assurance identified. A third strand of the development of the AAF is the clear integration of monitoring of performance to achieve the priority actions and strategic objectives. The procurement of a fully integrated performance management system is being considered which will encompass the framework being developed for ease of reporting.
4. The key control and operational practice findings that need to be addressed in order to fully develop the AAF are set out in the Management Action Plan. Recommendations for improvements should be assessed for their full impact before they are implemented.

MATERIALITY

5. The review considered the new strategic planning process in operation from 2014/15 and considered risks as recorded on the risk register as at 17th August 2015.

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Operational	There is no schedule of the planned meeting dates and these have not been held with all Leads in 2015/16 to date.	Regular meetings with forward planned dates for Heads of Service and Lead Officer meetings for monitoring the departmental action be fully implemented.	2	Agree, Secretariat to schedule quarterly meetings for each of the Strategic Objective owners, in line with the FAPM/FA forward work programme.	30 Sept 2015	Sally Chapman
2	Operational	The risks identified in the risk register are not linked explicitly to the achievement of the priority actions and the strategic objectives although many of the risks identified would impact on	The risks of not achieving the priority actions and strategic objectives be identified, assessed and recorded in the risk register.	3	Agree – each Strategic Objective and Priority Action should undergo a risk assessment as per actions within department business plans. Furthermore the	31 October 2015	Steve Rossiter

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.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		the overall achievement of the objectives. Consideration of the risks which will affect the achievement of the strategic objectives is an essential part of integrating risk management into the strategic planning process and a key part of the Authority Assurance Framework			<i>Service needs to overlay the current corporate risks of the strategic objectives and identify any gaps. Initial review suggests there are a number of corporate risks that do not fall under any of the strategic objectives.</i>		
3	Operational	49 current projects were identified by SMT and have been prioritised as urgent / not urgent and low / high priority. Each project needs to have governance arrangements	Within the Project Management governance arrangements all projects be linked to the relevant strategic objectives and define how the project	3	<i>Reinvigorate the project management function to support and advise the numerous projects currently underway. All projects should link with the strategic</i>	30 November 2015	Steve. Rossiter

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.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		which show a clear link to achieving one of the strategic objectives and this being the key reason for the project.	outcomes contribute to the achievement of the objective.		<i>objectives, therefore a scrutiny/governance arrangement needs to be implemented.</i>		

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.
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Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Operational	The same terminology be used in both published plans and the internal systems be used where appropriate.	<i>Agreed – identify and amend discrepancies in terminology</i>
2	Operational	The “report card” format be considered for ease of reporting prior to the implementation of the new planned performance management system	<i>Agreed – distribute example of piloted report card for consideration</i>
3	Operational	The assurances in place to mitigate the risks of achieving the strategic objectives be identified.	<i>Agreed</i>
4	Operational	Action be taken to address gaps in assurance to mitigate the risks of achieving the strategic objectives.	<i>Agreed</i>
5	Operational	Performance measures to monitor the achievement of the strategic objectives be developed and reported.	<i>Agreed</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

Ref	Risk Area	Item	Management Comments
6	Operational	The corporate risk assessment methodology be applied to project risk assessment.	<i>Agreed</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

Summary Findings

DISCLAIMER

6. 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.

ACKNOWLEDGEMENT

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

RELEASE OF REPORT

8. The table (Figure 1) below sets out the history of this report.

Figure 1 - Report History

Date draft report issued:	20 th August 2015
Date management responses recd:	3 rd September 2015
Date final report issued:	4 th September 2015

BACKGROUND

9. An initial presentation on the principles of AAF was given to the Senior Management Team in February 2015. A number of subsequent meetings have been held with the Head of Finance and Procurement and the Head of Service Performance and Communications to appraise the arrangements being put in place. This review considers the strategic planning framework in place and sets out the next steps in coordinating the development of a full AAF along with an assessment of the Assurance from the Internal Audit reviews by TIAA since appointment in 2012/13 to assist with the assurance mapping process.

Detailed Findings

10. The following matters were identified in reviewing the Key Risk Control Objective;

Strategic Planning

- 10.1 For 2015/16 the Strategic Planning Framework was developed to incorporate the longer-term community and organisational challenges with short term Service Improvements required to support and complement the longer-term objectives. These were previously defined separately in the Annual Improvement Plan and the longer term plan. The current Strategic Plan is for the period 2015/2020 and sets out the vision and objectives for the five year period. The new Strategic Planning process was approved by the Finance, Audit and Performance (FAPM) Committee and the full Fire and Rescue Authority.
- 10.2 The plan includes 5 Strategic Objectives which have been disseminated into 14 priority actions. Each priority action has been assigned to a Lead Officer who is a member of the Executive Leadership Team and is responsible for the achievement of the action.
- 10.3 Two of the 14 priority actions are improvement objectives for 2015/16 these set the priority focus for the service for the year ahead in accordance with the current requirements of the Local Government (Wales) Measure.
- 10.4 Previously two separate reports have been submitted to the Fire and Rescue Authority; one reporting progress against the Improvement Objectives and the other Performances and Statistics report showing details on incidents attended by area and incident type together with performance against strategic, core and local performance indicators.
- 10.5 The proposal for monitoring for 2015/16 is to replace the two reports with one which is structured around monitoring and scrutinising delivery against the Strategic Plan to be presented to the Fire and Rescue Authority in December and July. More detailed progress is to be reported through the FAPM Committee 3 times a year. Reports have been presented to the Fire and Rescue Authority and FAPM to timetable in 2015/16 to date.

- 10.6 There are Action Plans developed for each department within the 4 Directorates of Corporate Services, People Services, Service Delivery and Technical Services. Actions are defined which link to the achievement of the priority actions and the strategic objectives. It is the responsibility of the Heads of Service to ensure the actions within their departments are completed.
- 10.7 Progress with the departmental action plans should be monitored in sessions lead by each of the Lead Officers from the Executive Leadership Team quarterly with all Heads of Service. Previously the actions were monitored departmentally. There is no schedule of the planned meeting dates and these have not been held with all Leads in 2015/16 to date.

Recommendation: 1

Priority: 2

Regular meetings with forward planned dates for Heads of Service and Lead Officer meetings for monitoring the departmental action be fully implemented.

- 10.8 The SharePoint system is used to document the actions and capture the quarterly progress. Staff are prompted for the quarterly updates once the key dates listed for updates are passed by email from the Service Performance and Communications Team. There is no easy method of monitoring when updates have not been input to SharePoint and no automatic method of prompting for updates so no way of easily knowing the information recorded is up to date and current.
- 10.9 Whilst it is accepted that the SharePoint system allows for actions plans to be monitored at departmental level which ultimately link to the Strategic Objective, there isn't a way to easily report progress with completion of the overall Strategic Objective. The use of different terminology e.g.: "Priority Actions" are referred to on the Sharepoint system as "Executive Leaders Plans" and the different levels that plans can be created which are not used further complicates the use of the system. It would be useful to apply the same terminology where possible, appreciating that some terminology is system defined and not user friendly. It was also be useful to investigate whether the plan and reporting levels not used on SharePoint could be removed from the hierarchy to avoid confusion where levels are not currently used.

Operational Effectiveness Matter: 1

The same terminology be used in both published plans and the internal systems be used where appropriate.

- 10.10 The Service are currently considering the procurement of a fully integrated performance management system which will encompass the framework being developed for ease of reporting and this project is in the early stages. The Head of Service for Performance and Communications has developed an excel template as a “report card” which shows in one easily readable format progress, risk and business update with the business plan objective. It was the intention that the forms would be completed as part of the quarterly reporting to the Lead Officer. This is currently a duplication of the information recorded on the SharePoint system but the information is in a much clearer format and could be used in the interim prior to the implementation and development of a more effective performance management system.

Operational Effectiveness Matter: 2

The “report card” format be considered for ease of reporting prior to the implementation of the new planned performance management system.

Risk Management

- 10.11 The Risk Management process has been refined to further differentiate the impact of each risk by using a larger differential score. Updated documented procedures and guidance notes were documented in May 2015 for the new scoring process.
- 10.12 The risks identified in the risk register are not linked explicitly to the achievement of the priority actions and the strategic objectives although many of the risks identified would impact on the overall achievement of the objectives. Consideration of the risks which will affect the achievement of the strategic objectives is an essential part of integrating risk management into the strategic planning process and a key part of the Authority Assurance Framework. As a starting point the current

identified risks should be referenced to the priority actions and strategic objectives and any obvious risks not identified considered and assessed.

Recommendation: 2

Priority: 3

The risks of not achieving the priority actions and strategic objectives be identified, assessed and recorded in the risk register.

- 10.13 Once the risks have been assessed the assurance that the risks are being mitigated needs to be included in the register. This can be done using the 3 lines of defence model included in the initial presentation on Authority Assurance Frameworks to SMT in February 2015. Annex A includes the assurances from the Internal Audit work completed since TIAA's appointment in 2012/13.

Operational Effectiveness Matter: 3

The assurances in place to mitigate the risks of achieving the strategic objectives be identified.

- 10.14 Once the assurances have been identified, gaps in the assurance to mitigate the risks can be addressed with relevant action(s), projects or specifically for Internal Audit reviews included within the Audit Strategy.

Operational Effectiveness Matter: 4

Action be taken to address gaps in assurance to mitigate the risks of achieving the strategic objectives.

Performance Management

- 10.15 The Fire and Rescue Authority receive quarterly reports of the Strategic Indicators and progress with improvement plan objectives for the year. For an Authority Assurance Framework to be effective and embedded the performance measures need to relate to the achievement of the strategic objective. The current strategic indicators and other management reports

need to be reviewed in the context of the achievement of the strategic objectives and new non-mandated performance measures be adopted and reported as appropriate.

Operational Effectiveness Matter: 5

Performance measures to monitor the achievement of the strategic objectives be developed and reported.

Project Management

10.16 At the time of the review SMT were defining improvements to the project management arrangements. 49 current projects were identified by SMT and have been prioritised as urgent / not urgent and low / high priority. Each project needs to have governance arrangements which show a clear link to achieving one of the strategic objectives and this being the key reason for the project. It is understood that this work is ongoing. No other aspect of the Project Management arrangements was considered as part of this review.

Recommendation: 3

Priority: 3

Within the Project Management governance arrangements all projects be linked to the relevant strategic objectives and define how the project outcomes contribute to the achievement of the objective.

10.17 The project risks can then be assessed in the context of the achievement of the strategic objective in the same way as strategic risks are assessed improving and integrating the risk management arrangements throughout the service.

Operational Effectiveness Matter: 6

The corporate risk assessment methodology be applied to project risk assessment.

10.18 No other aspects of the Project Management arrangements were considered as part of this review.

Internal Audit Assurance ratings linked to current Strategic Objectives

Strategic Objective	Reduce risk in our communities.	Engage and consult with our staff, communities and stakeholders to jointly shape our future services.	Align our resources to ensure they are fit for purpose and sustainable for the future.	Make use of technological advances to meet service improvements and requirements.	Explore partnership and collaborative opportunities to improve outcomes.
Internal Audit Reviews 2012/13	Risk Management Controls		Fleet Management - Usage	ICT Management Controls	HR/Payroll/Finance system
	Governance – Key Performance Indicators		Anti-Fraud Procurement		
			Key Financial Controls		
			Estate Management – Reactive Maintenance		
			Fuel Stock		
			HR Secondary Employment		

Strategic Objective	Reduce risk in our communities.	Engage and consult with our staff, communities and stakeholders to jointly shape our future services.	Align our resources to ensure they are fit for purpose and sustainable for the future.	Make use of technological advances to meet service improvements and requirements.	Explore partnership and collaborative opportunities to improve outcomes.
Internal Reviews 2013/14	Audit	Governance – Key Performance Indicators	Governance – Data Assurance	Anti-Fraud – Cyber Crime	
			Payroll/HR Controls	ICT Network Controls	
			Capital Projects / Planned works		
			Fleet Management Repair and Maintenance		
			HR Management		
			Key Financial Controls		
			Fuel Usage – Operational Fleet		


Strategic Objective		Reduce risk in our communities.	Engage and consult with our staff, communities and stakeholders to jointly shape our future services.	Align our resources to ensure they are fit for purpose and sustainable for the future.	Make use of technological advances to meet service improvements and requirements.	Explore partnership and collaborative opportunities to improve outcomes.
Internal Reviews 2014/15	Audit	Governance – Key Performance Indicators		Anti-Fraud – Pay and Allowances	ICT Strategy, Policy and Procedures	Employability Scheme
				Estate Management Planned Repairs		Third Party Income - Babbocks
				Fleet Management Disposals		Stocks and Stores – Community Stock
				Station Visits		
				HR Rostering System		
				New Finance System – Controls check		
				Key Financial		

Strategic Objective	Reduce risk in our communities.	Engage and consult with our staff, communities and stakeholders to jointly shape our future services.	Align our resources to ensure they are fit for purpose and sustainable for the future.	Make use of technological advances to meet service improvements and requirements.	Explore partnership and collaborative opportunities to improve outcomes.
			Controls		

Key:

The definitions of the assurance assessments are:

Substantial Assurance	Based upon our findings there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risk of failure of the continuous and effective achievement of the objectives of the process, which at the time of our review were being consistently applied.
Reasonable Assurance	Based upon our findings there is a series of controls in place, however there are potential risks that they may not be sufficient to ensure that the individual objectives of the process are achieved in a continuous and effective manner. Improvements are required to enhance the adequacy and effectiveness of the controls to mitigate these risks.
Limited Assurance	Based upon our findings the controls in place are not sufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls.
No Assurance	Based upon our findings there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage the risks to the continuous and

 effective achievement the objectives of the process. Immediate action is required to improve the adequacy and effectiveness of controls.



INTERNAL
AUDIT

South Wales Fire & Rescue Service

Assurance Review of the Purchasing and Fuel Card Arrangements

2015/16

FINAL

September 2015

Assurance Review of the Purchasing and Fuel Card Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



KEY FINDINGS

- The approver of the Chief Fire Officer and Directors credit card expenditure needs reviewing.
- The lowest pump fuel type and price are not always being purchased.
- There is no process in place to check other expenditure incurred by any relevant car user or with the fuel cards issued by the Fleet Department
- No review of fuel card statements is being undertaken.

SCOPE

The review considered the arrangements for: the identification of need, sourcing, approving and receipt of the goods and services through the purchasing and fuel cards. The review also considered the effectiveness of the monitoring arrangements for procurement and fuel card purchases. The scope of the review does not include tendering arrangements.

ACTION POINTS

Urgent	Important	Routine	Operational
0	4	5	1

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	It was noted that the Senior PA to the Chief Fire Officer and Directors is the delegated approver for their expenditure. This appears inappropriate given the level of authority as it is questionable whether the Senior PA would challenge any unusual or high value expenditure. It would be more appropriate if the approver was a more senior officer. Given the Head of Finance & Procurement is the approver of expenditure through the Purchase Ordering (PO) system	The approver of the expenditure for the Chief Fire Officer and Directors be changed from the Senior PA to a more appropriate senior officer, for example the Head of Finance & Procurement.	2	<i>The PA's to the CFO and Director's provide the admin support to upload expenditure to the PCard portal. The Senior PA approves the expenditure that the PA's have entered onto the portal. This approval will now be moved across to the Head of Finance and Procurement.</i>	01/09/15	Procurement Co-ordinator

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.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		then this would seem more appropriate.					
5	Compliance	The OP-03.003, Fleet & Engineering Guidance states that "All personnel that are issued with fuel cards are expected to make full use of the lowest pump prices in the station area and to seek out the above rebates wherever possible in the interests of efficiency". The review of the Allstar statements for the last four months revealed usage of this expensive fuel. Whilst it is accepted that there are few occasions where a particular Service Station may run out of	The purchase of Premium Diesel, Premium Unleaded and Super Unleaded fuel be ceased unless sanctioned by Fleet Management to ensure value for money is obtained and to demonstrate effective use of public money.	2	<i>This should be addressed by Departmental Heads by their ensuring that respective Users adhere to procedure. This is to be raised at the next OCG meeting on 24th September 2015.</i>	24/09/15	<i>Head of Fleet & Eng/Workshops Manager/All Department Heads</i>

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.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		diesel and premium diesel may be the only alternative, there is nothing documented to record the reasons.					
7	Compliance	Given the numerous issues identified as part of the review of the Allstar statements it would be prudent to undertake a review of each statement to identify and investigate any further issues. The OP-03.003, Fleet & Engineering Guidance sets out that "Statements will also be checked for management information on the forecourts visited and the pump prices paid for fuel by each station. Prices will be monitored	A review of Allstar fuel card statements be undertaken to identify and investigate all anomalies.	2	<i>Departmental Managers must insist that their respective Users observe procedure and check Invoices before submission for payment. This is to be raised at the next OCG meeting on 24th September 2015.</i>	24/09/15	<i>Head of Fleet & Eng/Workshops Manager/All Department Heads</i>

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.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		to ensure fuel is being purchased at forecourts offering the lowest prices in the station area". The issues identified is evidence that this is not happening.					

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.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
8	Compliance	There is no process in place to check other expenditure incurred by any relevant card user or with the fuel cards issued by the Fleet Department. The statement is paid by direct debit and therefore there is no authorisation for this non-station element. For efficiency purposes in relation to checking expenditure on the statements to receipts it would be prudent to treat the transactions from cards issued by the Fleet Department and cards allocated to any specific department/user as a "station".	All receipts for fuel transactions, other than stations, be checked against the Allstar fuel card statements. This can then ensure the statement can be fully authorised.	2	Agree with recommendation. The individual card holding departments and the transport department will be treated as a "station" and will need to confirm correct card usage.	01/10/15	Procurement Co-ordinator

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.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The Fleet and Engineering Services Department have also documented a Fuel Card Issue and Control Procedures which is in a flowchart format in December 2011. The Procedures are now overdue for review and still refer to the old OPPD19 which has now been replaced by OP-03.003.	The Fuel Card Issue and Control Procedures (Flowchart) be reviewed and updated to reflect current arrangements.	3	<i>The relevant changes will be made as advised.</i>	01/09/15	Ian Williams Workshop Manager
3	Compliance	A review of the 'Allstar fuel card statements for the last four months revealed that 11 cards currently used could not be found on the spreadsheet.	The Allstar Fuel Card List maintained by the Fleet and Services Department be brought up to date.	3	<i>It transpires that due to confusion created by the Senior Administrator being unavailable due to A/L an old list was used. The up-to-date list is now available and correct.</i>	completed	Ian Williams Workshop Manager

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.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation on Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Compliance	Each time a fuel card is used the vehicle registration and odometer readings must be provided to the Service Station employee for recording against the transaction. The review of the Allstar fuel card statements revealed numerous incomplete or no registration details and numerous instances with where no mileage figures were recorded or that a zero or one was recorded. Whilst it is noted that there is reliance on the Service Station employee accurately inputting these details the numerous anomalies on every statement suggests non-compliance with the	A reminder to all vehicle users that odometer readings and vehicle registrations must be provided to Service Station employees when using the Allstar fuel cards in accordance with procedures.	3	<i>Departmental heads must ensure that their respective Users adhere to procedure.</i>	<i>To be reiterated at S.M.T. Meeting</i>	<i>All Heads of Department</i>

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		procedure. This data will be essential in the near future when the organisation commences fuel consumption.					
6	Compliance	There were further issues identified as part of the review of the Allstar statements. The table below sets out the findings identified from Statement number - P2004668288 dated 30 th April 2015.	The anomalies on Allstar statement number P2004668288 dated 30 th April 2015 be investigated further with Allstar Fuel Card services.	3	<i>The anomalies will be investigated with the card holder and reported back to ensure correct procedure is followed. Station Managers / Dept Head will be reminded of the need to check statements.</i>	01/10/15	Procurement Co-ordinator
9	Operational	There is currently no charge for the number and usage of Barclaycards. The Service earned a rebate (cashback) of	A cost benefit analysis be undertaken to ascertain if it would advantageous to utilising Barclaycards for	3	<i>A cost benefit analysis will be undertaken to identify the most cost effective solution.</i>	01/10/15	Procurement Co-ordinator

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.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		<p>£11,607 based on expenditure in 2014/15. The Service is charged £2.28 (inc VAT) per fuel card usage and £6.00 (inc VAT) for a paper statement. For the last four months (24 statements) the Service has been charged £1,747 which equates to approximately £5,240 per annum. The Service needs to consider the possibility and feasibility of using Barclaycards, which can be restricted to fuel purchases only, instead of fuel cards using a cost benefit analysis.</p>	<p>purchasing fuel instead of using Allstar fuel cards. This to include the points raised in the body of the report.</p>				

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.
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Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Operational	Consideration needs be given to issuing fuel cards for each station for the purchasing of unleaded fuel for LPPs, generators, Argocats and any other auxiliary equipment to ensure fuel consumption data is not corrupted once the new system is implemented. Alternatively, the possibility of extracting unleaded fuel data before been imported into the new software be discussed with the software provider.	<i>Consideration will be given and if proven to be cost effective will be implemented.</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



South Wales Fire and Rescue Service

Appraisal Review of the Governance – Partnerships Arrangements

2015/16

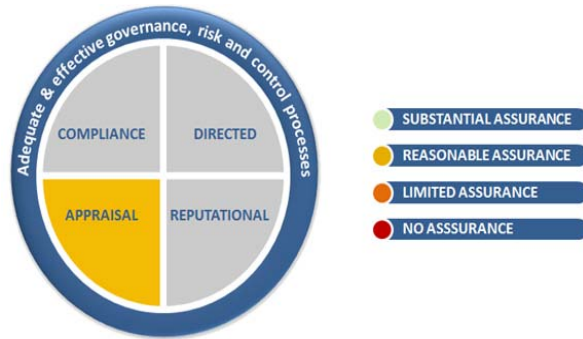
FINAL

October 2015

Appraisal Review of the Governance - Partnerships Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT – REASONABLE



KEY FINDINGS

- **Appropriate controls were in place for governance and financial management of the Home Safety Check Third Sector Partnership arrangements.**
- **Quality Assurance whereby officers review Home Fire Safety Checks completed by partner agencies was not taking place and need to be re-instated.**

SCOPE

The review considered the arrangements for working in partnership with other bodies, and the extent to which the arrangements mitigate against any current financial liability and also any residual financial liability for the Authority after the partnership is concluded. The review also included consideration of the extent to which the arrangements accord with best practice guidance on partnership arrangements. The review does not include consideration of the extent to which the Authority and/or the Service is delivering its commitments to the partnerships and/or the extent to which the partners are being their obligations under the partnership agreements.

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	0	1

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Operational	Since February 2015, the quality assurance procedure has not taken place due to resource constraints. Resource has now been secured and the intention is that the procedure will be re-established once a new training package has been developed.	Quality Assurance procedures be re-instated for the existing Home Fire Safety Checks service as soon as resource allows and fully implemented following implementation of the new training package.	2	<i>The existing partner agency training package is currently in the process of being re-written. Once complete, refresher training will be implemented with all existing agency staff and the quality assurance visits will be re-introduced thereafter. These visits will take place a minimum of 6 weeks after training delivery and then once annually thereafter.</i>	<i>Anticipated to be implemented wef April 2016</i>	<i>Partner Agency Manager</i>

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.
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Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Operational	Consideration be given to undertaking a promotion of the project in advance of the new financial year to include notice of the extension of training package to include wellbeing elements.	<i>The Home Fire Safety Check in its current guise is anticipated to change to encompass possible health and wellbeing elements. Additional training will be required and further advice and guidance will be issued in due course. This may be beyond April 2016. Once changes are made, the project message will be tailored and publicised both internally and externally using both internet and intranet.</i>

CORPORATE RISK REGISTER 2015/16 – QUARTER 2 REVIEW

SUMMARY

To consider the risks within the Corporate Risk Register and the management of these risks.

RECOMMENDATION

That Members view the significant and material risks contained within the Corporate Risk Register and agree their validity.

1. BACKGROUND

- 1.1 The Fire and Rescue Service National Framework for Wales and the Wales Programme for Improvement Framework requires Fire & Rescue Services to consider risk management whilst discharging its statutory duties, and take into account the risks facing the organisation when making strategic decisions.
- 1.2 Corporate 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) in accordance with the table in Appendix 1.
- 1.3 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.
- 1.4 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.

2. ISSUE

- 2.1 Currently there are 20 risks on the register; of these 10 are rated significant (high), 4 are material (medium) and 6 are manageable (low).
- 2.2 Attached at Appendix 1 is a diagram showing the overall risk profile of all the live corporate risks and a table showing those risks having an decrease or increase in risk scores from the inherent score (when first

identified without control measures) to the current residual risk score with controls in place.

2.3 Appendix 2 shows those live corporate risks where the residual score is unchanged from the inherent score.

2.4 Also attached at Appendix 3 are tables listing the significant and material risks as at 22 October 2015 showing the progress updates recorded during 2015 - 2016.

3. FINANCIAL IMPLICATIONS

3.1 Risks which have financial implications are identified at Appendix 1.

4. EQUALITY RISK ASSESSMENT

4.1 It is the responsibility of each risk owner to ensure that appropriate assessment of risk in relation to equality and diversity has been carried out across all relevant supporting activity levels.

5. RECOMMENDATIONS

5.1 That Members view the significant and material risks contained within the Corporate Risk Register and agree their validity.

Contact Officer:	Background Papers:
Howard Thomas Engagement, Transformation and Performance Officer	

Appendix 1: Risk matrix showing all live corporate risks as at October 2015 (inherent vs residual)

IMPACT	16	32	48	64	80 80.6 80.1
	8	16	24 70a 19b 70b	32	40 80.4
	4 19a 79b	8	12 11 74 80.2 77	16 100 101	20 09 80.5
	2	4 69 80.3	6	8	10
	1	2 14 75	3	4	5
	LIKELIHOOD				

Ref	Risk Description of those live corporate risks where the residual score has reduced from the inherent score	Inherent score	Current residual score
80.1	If the SOF programme is not managed, planned, resourced and supported effectively then the changes required to secure the future sustainability of the service within reduced financial resources will not be delivered.	80	64
80.2	If the governance elements of the SOF programme are not managed, planned, resourced, delivered and supported effectively then the decisions that are taken and the changes that are implemented could be open to successful challenge.	24	12
80.3	If the communications for the SOF programme are not managed, planned, resourced, delivered and supported effectively then staff and necessary stakeholders and partners will be uninformed about changes and the reasons for them potentially leading to disengagement.	40	4
75	If the composition of the workforce is impacted by external factors or legislative changes then this may impact on our capacity to deliver effective services.	8	2
09	If Strategic Transformation Plan issues, redundancies or national pay negotiations are seen as adverse then there is a risk of industrial action by staff and / or potential loss of experienced staff.	80	20
19a	If we suffered the loss of life/life changing injuries of a member of staff or member of the public during an operational incident then potential corporate or criminal liability could ensue. Other consequences that could arise are negative media attention, negative public perception, a loss of trust and confidence of the Management team by staff.	5	4
19b	If we suffered the loss of life/life changing injuries of a member of staff or a member of the public through the commission of our duties then potential corporate or criminal liability could ensue. Other consequences that could arise are negative media attention, negative public perception, a loss of trust and confidence of the Management team by staff.	80	24
100	If SWFRS does not comply fully with the requirements and principles of the Civil Contingencies Act 2004 then the Service may not be able to deliver critical emergency services to the public of South Wales in accordance with stakeholder expectations.	32	16
101	If the Emergency Services Network does not deliver a replacement for Airwave in a suitable timeframe then the service may be compromised in its ability to deliver a secure, efficient, resilient and cost effective communications network.	32	16
77	If We fail to communicate, consult, engage and involve our communities effectively then the reputation, public confidence and efficiency of the service could be compromised.	16	12
79b	If HMRC apply the changes to the Protected Pension Age for firefighters between the ages of 50 and 54 then the ability of the Service to offer multiple contracts could become restricted. This could lead to a potential loss of qualified Firefighters which may affect the ability of the service to deliver.	5	4
14	If we fail to maintain measures which prevent or detect acts of fraud and corruption then the organisation is open to costly fraudulent actions by employees, members, suppliers and contractors, with consequential financial losses and reputational damage.	6	2
69	If our internal business critical IT systems are not integrated then the service will fail to produce lean, efficient processes with commensurate cost reductions.	16	4

Ref	Risk Description of those live corporate risks where the residual score has increased from the inherent score	Inherent score	Current residual score
74	If we fail to secure grant funding for our activities then we will have to review service provision.	1	12

Appendix 2: All live corporate risks where the residual score is unchanged from the inherent score.

Ref	Risk Description of those live corporate risks where the residual score is unchanged from the inherent score	Inherent and residual scores
80.6	If the ICT vision, infrastructure, capacity and capability to facilitate new and improved ways of working are not challenging, robust and sufficient then service delivery may be impacted and the change required to secure the future sustainability of the service will not be made.	80
80.4	If people elements of the SOF programme are not managed, planned, resourced, delivered and supported effectively then trust, transparency, openness and engagement with staff could be compromised leading to the service not having the right people in the right roles to deliver the requirements of the organisation.	40
70b	If Information management systems are not adequate then we will be in breach of our statutory duties.	32
70a	If sensitive personal data is not stored or held with a high enough level of security then there is a risk of theft, loss or unauthorised access to that data.	24
80.5	If the process elements of the SOF programme are not managed, planned, resourced, delivered and supported effectively then the organisation may not be as efficient, effective and joined up as it could be and service delivery to the public could be compromised.	20
11	If the functionality of the CFSMIS (Community Fire Safety Management Information System) does not meet service requirements then full business benefits and planning will not be effective.	12

Appendix 3: Significant and Material Risks

Significant Risks (High)

There are 10 significant risks with details as follows:

Risk Owner	Refno	Risk Description	Score	Progress updates
Richie Prendergast	100	If SWFRS does not comply fully with the requirements and principles of the Civil Contingencies Act 2004 then the Service may not be able to deliver critical emergency services to the public of South Wales in accordance with stakeholder expectations.	16	Q2 2015-16- Resilience Team in place BCM framework developed and being tested. Representation at SW and Gwent LRF and supporting structures. Station exercise programme. Engagement with National Resilience - CBRN, DIM, Water, HVP Multi agency exercise and planning protocols well developed.
Richie Prendergast	101	If The Emergency Services Network does not deliver a replacement for Airwave in a suitable timeframe then the service may be compromised in its ability to deliver a secure, efficient, resilient and cost effective communications network.	16	Q2 2015-16 - Extension of airwave contract to 2020 Business case to WG being developed to continue funding until 2020 or when ESN is delivered. Shadow management structure being developed to prepare for transition Continued engagement with ESN project board.
Huw Jakeway	09	If Strategic Transformation Plan issues, redundancies or national pay negotiations are seen as adverse then there is a risk of industrial action by staff and / or potential loss of experienced staff.	20	Q1&2 2015/16 - reviewed by DCO - risk remains constant in current climate,. Challenges of maintaining auxiliary reserve being reviewed. Ongoing dialogue with representative bodies continues. Communications on transformation issues and financial constraints being regularly provided to staff and TU's.
Huw Jakeway	19b	If we suffered the loss of life/life changing injuries of a member of staff or a member of the public through the commission of our duties then potential corporate or criminal liability could ensue. Other consequences that could arise are negative media attention, negative public perception, a loss of trust and confidence of the Management team by staff.	24	Q1&2 2015/16 by DCO - risk reviewed and updated. Monitoring of national events and incidents and consequential reports ongoing and learning incorporated into own safe systems of work and procedures. Health and Safety inspection scheduled for Q3 by HSE

Risk Owner	Refno	Risk Description	Score	Progress updates
Sally Chapman	70a	If sensitive personal data is not stored or held with a high enough level of security then there is a risk of theft, loss or unauthorised access to that data.	24	<p>Q1 2015/16 - risk reviewed. Actions planned and completed updated. Scores remain extant at current time despite training having been rolled out as numerous low level incidents occurring at present, as culture embeds itself. Greater level of reporting as staff awareness improving, but many basic errors. Impact of risk remains high (and is likely always to be), although likelihood should begin to reduce as increased awareness, understanding and improved systems and procedures are implemented across the organisation</p> <p>Q2 2015/16 - risk reviewed and updated. Low level incidents continue as awareness improves. Virtual desktop project given go head which will ensure data accessed securely and stored on one system at HQ. Core HR system project ongoing and aiming for go live in autumn. Security issues around personal data and log in discussed and agreed by security risk group. Increased security briefings generally provided by ORM making individuals aware of increased threat levels on all counts including information</p>
Sally Chapman	70b	If information management systems are not adequate then we will be in breach of our statutory duties.	32	<p>Q1 2015/16 - risk reviewed. Actions planned and completed updated. Scores remain extant at current time despite training having been rolled out as numerous low level incidents occurring at present, as culture embeds itself. Greater level of reporting as staff awareness improving, but many basic errors. Impact of risk remains high (and is likely always to be), although likelihood should begin to reduce as increased awareness, understanding and improved systems and procedures are implemented across the organisation</p> <p>Q2 2015/16 - risk reviewed and updated. Virtual desktop project given go head which will ensure data accessed securely and stored on one system at HQ. Core HR system project ongoing and aiming for go live in autumn. Security issues around personal data and log in discussed and agreed by security risk group. Increased security briefings generally provided by ORM making individuals aware of increased threat levels on all counts including information.</p>

Risk Owner	Refno	Risk Description	Score	Progress updates
Sally Chapman	80.4	If people elements of the SOF programme are not managed, planned, resourced, delivered and supported effectively then trust, transparency, openness and engagement with staff could be compromised leading to the service not having the right people in the right roles to deliver the requirements of the organisation.	40	Q1 2015/16 - risk reviewed and updated. Risk remains a high risk as staff are so critical to any change programme. Programme still in early phases. Communication of paramount importance, as is explaining the rational for decisions, which could still be improved upon. Q2 2015/16 - risk reviewed and updated. Risk remains at current level due to criticality of this area and the formative stages of the change process and the fact that how we handle reviews themselves and their outcomes will have a significant impact on staff trust and engagement going forward.
Sally Chapman	80.1	If the SOF programme is not managed, planned, resourced and supported effectively then the changes required to secure the future sustainability of the service within reduced financial resources will not be delivered,	64	Q1 2015/16 - risk reviewed and actions completed and planned updated. Progress on various project streams being managed through project board. Staff updates developed following programme board. Capacity of process team being monitored as couple of changes and training required. Additional resources for communications and support to project identified - time capacity is issue that needs continual monitoring for HofS / DCO involved given importance of what trying to achieve. Impact and likelihood remain constant at present due to several staff changes. May reduce next review as becomes more embedded. Q2 2015/16 - risk reviewed and updated. More control measures now in place and very early signs of greater acceptance and understanding of project throughout workforce. Resources for process team now identified and appointment of AK & OJ full time to project assists. First phase projects ongoing to report in Q3 & Q4 - will need to monitor outcomes from those and work that needs to be done to implement recommendations from capacity and resources perspective.

Risk Owner	Refno	Risk Description	Score	Progress updates
Sally Chapman	80.5	If the process elements of the SOF programme are not managed, planned, resourced, delivered and supported effectively then the organisation may not be as efficient, effective and joined up as it could be and service delivery to the public could be compromised.	20	<p>Q1 2015/16 - risk reviewed. Scores remain at current time due to recent staff changes within team that are due to take effect in Q2 - further training required and development in role. In addition, as the programme is still in its early stages, until some outcomes from initial process reviews are forthcoming and staff can understand fully how we approach these with their involvement to redesign and the consequences of this and how we manage that, staff involvement has the potential to be more guarded. This has the potential to mean that our processes may not be as streamlined and efficient as possible</p> <p>Q2 2015/16 - risk reviewed and updated. Whilst resources for process work have stabilised, reviews have not finalised their work yet and reported on recommendations. Support to make recommended changes has therefore not yet been gauged and risk to remain at current level because of this and the impact this could have on efficiency and staff engagement and trust.</p>
Sally Chapman	80.6	If the ICT vision, infrastructure, capacity and capability to facilitate new and improved ways of working are not challenging, robust and sufficient then service delivery may be impacted and the change required to secure the future sustainability of the service will not be made.	80	<p>Q1 2015/16 - this is a new risk that has been identified and at the current time it is uncertain what control measures are in place. Two high level actions have been identified to enable a better understanding of the risk. This has been cited as a high risk as effective and efficient ICT and the necessary support skills will be critical to the programme and the future sustainability and efficiency of the service</p> <p>Q2 2015/16 - risk reviewed and updated. To date, no process reviews have reported with recommendations, so ICT requirements for SOF programme are currently unknown.</p>

Material Risks (Medium)

There are 4 medium risks with details as follows:

Risk Owner	Refno	Risk Description	Score	Progress updates
Geraint Thomas	74	If We fail to secure grant funding for our activities then We will have to review service provision.	12	Qtr 1 15/16 Impacts of grant reduction built into 15/16 revenue budget and agreed areas absorbed. Ongoing dialogue with CS department who are reviewing future service provision. Impacts will feed into next budget setting process for 16/17 and MTFS assumptions which may result in Budget reductions in other service areas. Risk impact changed from 1 to 4 to reflect the probability of grant reductions for 2016/17. Qtr 2 15/16 -budget impacts of grant reductions being fed into 16/17 planning assumptions which will be discussed at FAPM working group in October.
Steve Rossiter	77	If We fail to communicate, consult, engage and involve our communities effectively then the reputation, public confidence and efficiency of the service could be compromised.	12	Q1/2015. The we are campaign ran from April - June with radio, social media and press involvement. The we are campaign informed our communities of the services we provide, whilst the "what matters to you" survey asked them their thoughts on various aspects of the Service. Home safety, current performance etc. Q2/2015. The online survey was supported by street questionnaires which included our Fire Stations. We have received over 1400 responses to our survey and utilised this information as part of the SMT strategic planning day. A report have been compiled to go back to SMT and Fire Authority before feeding back to our communities on their survey findings. We intend to use this information as the basis for further engagement and consultation, as we intend how we used the information provided.

Risk Owner	Refno	Risk Description	Score	Progress updates
Richie Matheson	11	If the functionality of the CFSMIS (Community Fire Safety Management Information System) does not meet service requirements then full business benefits and planning will not be effective.	12	<p>Q1 - 2015 Work continuing with WMFRS for the delivery of the open-source software solution as planned. However, Commercial software solutions are also being evaluated in case of a failure of WMFRS to deliver a suitable solution within the existing arrangements.</p> <p>Q2 - 2015 Ongoing discussions with West Mids who have indicated that a beta version of the MIS software is available. Decision in principle by SMT to consider working with West Mids for a further four years, subject to a suitable shared service agreement being agreed.</p>
Sally Chapman	80.2	If the governance elements of the SOF programme are not managed, planned, resourced, delivered and supported effectively then the decisions that are taken and the changes that are implemented could be open to successful challenge.	12	<p>Q1 2015/16 - programme board governance now established. Certainty on reporting framework to staff, TU's, SMT and FA when required. Communication beginning to improve following resources in this area being secured. Actions completed updated.</p> <p>Q2 2015/16 - risk reviewed and updated. decision making at Board structured and minuted. Relevant staff are engaged through the process leading up to decision making</p>

Guide to Likelihood Risk Scoring

Score	Likelihood
1	Low 0-5% extremely unlikely or virtually impossible
2	Low/Medium 6-25% unlikely to happen
3	Medium 26-50% Fairly likely or possible to occur
4	Medium/High 51-75% Probable, more likely to occur than not
5	High 76% + Almost certainly will occur

Guide to Impact Risk Scoring

Score	Impact
1	Minimal impact: - Minimal harm, loss or delay with no measurable impact.
2	Minor impact: - EITHER: Short term minor harm, loss of staff, delay or interruption. OR: Minor impact on service delivery. Can be easily and quickly remedied.
4	Moderate impact: EITHER: Permanent or long term harm or loss of staff. OR: Loss of some service delivery. OR: Takes a medium term to remedy with some cost implications or adverse impact on service delivery.
8	Major impact: EITHER: Major or significant impact, harm or traumatic / stressful consequences for many. OR: Significantly reduced service delivery. OR: A remedy may be long term and expensive.
16	Severe impact: EITHER: Critical impact on the achievement of objectives or service undeliverable. OR: Serious or huge impact on quality, costs or reputation. OR: Very difficult or impossible to remedy at best long term effects and major cost implications.

Risk Score = Likelihood of Occurrence x Potential Impact

Risk Score	Risk Rating	Comment
1-4	Low	Manageable Risks - SWFRS is content to carry these risks. Managers still need to record that the risk has been identified and monitor regularly to ensure that the risk does not increase. However, due to the low likelihood or impact it is not necessary to take any further action.
5-12	Medium	Material Risks - SWFRS is concerned about these risks and they need to be managed by the risk owner.
16-80	High	Significant Risks - SWFRS is most concerned about these risks. These risks will be reviewed regularly by the ELT/SMT and the risk owner should continually monitor and take appropriate action to manage the risk.

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

AGENDA ITEM NO 11
23 NOVEMBER 2015

**REPORT ON PROGRESS OF AUDIT, SCHEME AND CIRCULAR ACTION
UPDATES AS AT 23 NOVEMBER 2015**

SUMMARY

This report shows the latest progress recorded against actions arising from internal audits, Wales Audit Office thematic reviews, Operational Assurance peer reviews, corporate schemes and Government circulars at Appendix 1. Graphical summaries showing all actions ongoing, overdue and completed since 2 July 2012 are also provided for each type of action.

RECOMMENDATION

That Members note the contents of the progress report and graphical summaries.

That Members agree the frequency of future provision of this information to the Finance, Audit & Performance Management Committee.

1. BACKGROUND

1.1 All actions as defined above are assigned to Officers and recorded on an electronic database. Each month Officers are requested to provide progress updates on these actions.

2. ISSUE

2.1 There are currently 24 actions recorded as progressing on the database, with 3 of these shown as overdue against target date (in red), and 253 completed since 2 July 2012. (July 2012 was the latest refresh of the system.)

3. EQUALITY RISK ASSESSMENT

3.1 It is the responsibility of the action owner to ensure that Equality Risk Assessments are carried out for their actions.

4. RECOMMENDATION

4.1 That Members note the contents of the progress report and graphical summaries.

4.2 That Members agree the frequency of future provision of this information to the Finance, Audit & Performance Management Committee.

Contact Officer:	Background Papers:
Emma Davies Engagement, Transformation and Performance Officer	List showing progress recorded against actions arising from internal audits, Wales Audit Office thematic reviews, Operational Assurance peer reviews, corporate schemes and Government circulars. A graphical summary showing actions progressing, overdue and completed since 2 July 2012 is also included for each type of action.

APPENDIX 1

(i) Internal Audit Actions Report

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
11.10/11 IT Disaster Recovery Planning - Follow Up	Management should ensure that the priority of recovery for key IT systems and data following a disaster event is determined, approved by senior management and included within the IT DR element of the organisation's ICT BCP.	31/03/2012	31/03/2016	Williams, Chris	13/04/15 - To be revisited at the next ICTAG 1/07/2015 - Currently being reviewed as part of Business continuity management. 22/09/2015 - as previous comments	31/03/2016
Assurance review of the Capital Projects	Procedures be documented for the capital projects/planned works process	31/03/2014	01/12/2015	Corrigan, Nick	Procedure is currently being drafted. Due to current workload and resources within the department (Building Maintenance manager), this work item has been deferred until the Jan 14. Due to staff changes the Audit action is being reviewed by the Property Strategy Manager to ensure it's relevant and a meaningful response can be prepared.	01/12/2015
Assurance Review of the Payroll & HR Controls Arrangements	All procedures relating to HR and Payroll processes be reviewed and amended as planned.	31/08/2014	31/03/2016	Jeal, Kimbely	3/8/15 - Planned go live date remains at Oct 2015 30/9/15 - Go Live for Portal, Pay & Personnel & Time is the 1st October 2015. The Project Team will then revisit any outstanding issues before progressing to E-Expense. Current processes are being reviewed as the project progresses.	31/03/2016

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Thematic Review Action Plan - Finance and Procurement	Under the section 'How to manage contracts successfully' include a paragraph on Equality Risk Assessment and monitoring Welsh language requirements.	31/12/2013	31/12/2015	Snooks, Julie	April 2015 - To be reviewed following system implementation and any identified amendments to internal processes and procedures. Aug 15 - no progress	31/12/2015
Thematic Review Action Plan - Finance and Procurement	Welsh language Officer to work with Procurement Officer to establish how to include monitoring compliance with Welsh language requirements of contracts in pre-contract meetings and contract review meetings. Include results in WLPI returns.	31/12/2014	31/12/2015	Snooks, Julie	April 2015 - Procurement Officer checked the All Wales Contract Management Guide to establish whether the staff conducting the meeting are aware of the need to ensure compliance with contract requirements in relation to Welsh Language and Equality and Diversity. This requirement is not currently scoped in the All Wales Contract Management Guide. Aug 15 - Emailed Cath to organise meeting to discuss	31/12/2015
Follow Up Review	Mobile devices, USB ports and CD/DVD drives be effectively managed to prevent the introduction of malware and the loss of data.	30/03/2014	31/03/2016	Lloyd, Christopher	1 July 2015 - Presentation to Security Risk Group to determine day to day working has been given.	31/03/2016
Follow Up Review	Any document identified during the data analysis review that needs to be held securely that is not already electronically marked be electronically marked to ensure that it can be identified by the e-mail sweeping software to prevent unauthorised distribution.	31/03/2016	31/12/2015	Lloyd, Christopher	13/04/15 - Identified systems and process to achieve this action. Awaiting information to be returned about secure domains and users 1/07/2015 - A number of domains have been marked as urgent for secure email. The domain owners are being contacted to create a TLS link between SWFRS and themselves for secure email.	31/12/2015

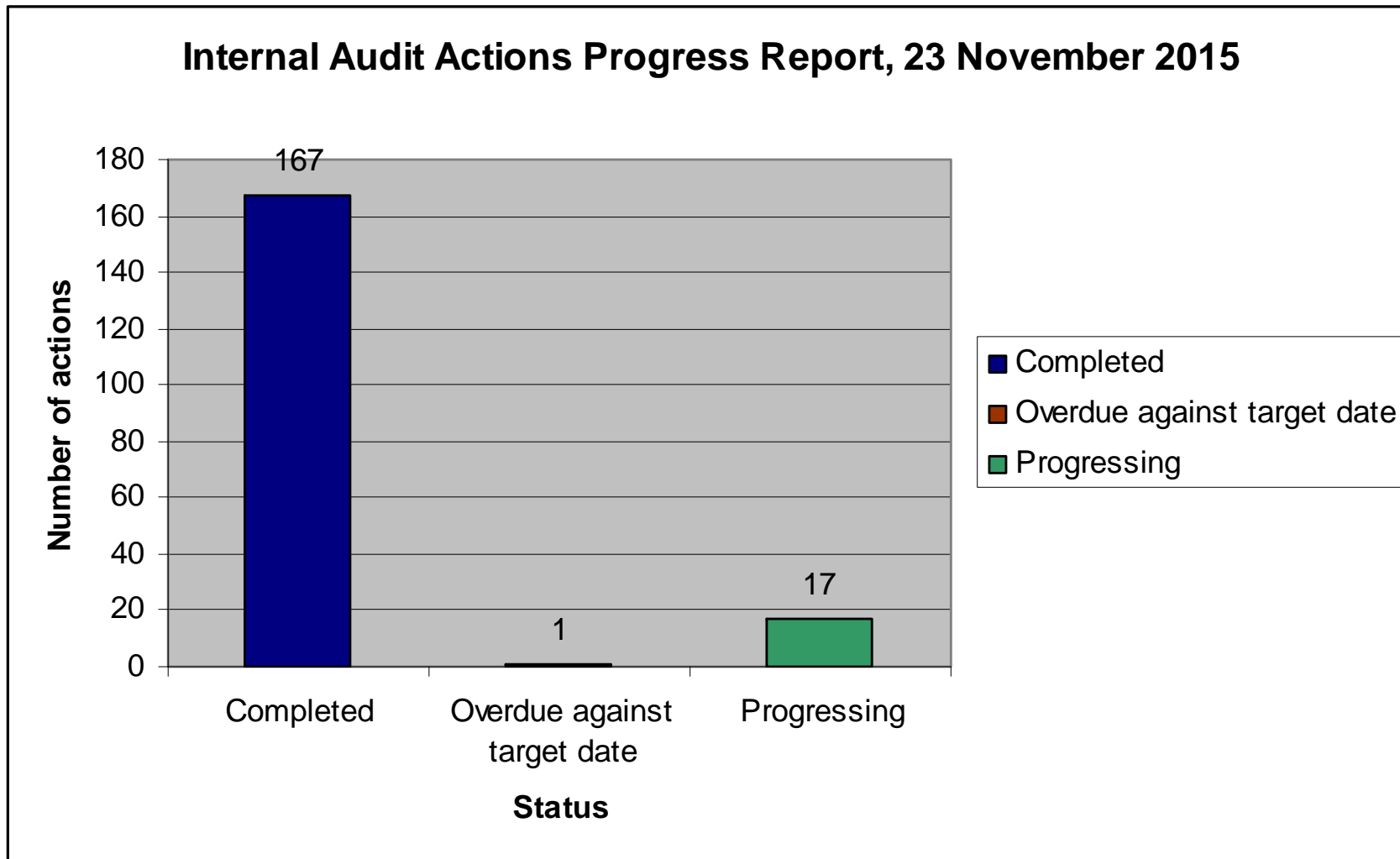
Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Follow Up Review	A Forensic Readiness Procedure to be documented detailing the processes to be followed in the event of a suspected or actual network security incident.	30/09/2014	31/12/2015	Smith, Darren	<p>01/10/2015 - This was NOT discussed by the SRG due to time constraints within the Agenda/Actions. However it has been raised at Cymru Warp with a view to collaboration to get a consistent one across the WARP members to ensure best practice and consistent approach. A research paper of Local Authorities experiences and feedback on Forensic Policies has been circulated within Cymru Warp, and will be discussed with SRG at the next scheduled full meeting - 08/12/2015. Highlighted overview indicates this should sit with Resolution with Assistance provided from Knowledge and Information as well as ICT. This has not been raised on KTAC (Knowledge and sharing website for Cymru WARP members). Darren Smith will liaise with Tim Gilberts/Jackie Evans regards feedback from SWFRS and through Cymru WARP.</p> <p>To be discussed at next SRG scheduled for 08/12/2015</p>	31/12/2015

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Appraisal Review of the Anti-Fraud Cyber Crime Preparedness Arrangements	Any document identified during the data analysis review that needs to be held securely that is not already electronically marked be electronically marked to ensure that it can be identified by the e-mail sweeping software to prevent unauthorised distribution.	31/12/2014	31/12/2015	Evans, Jackie	<p>March 2015 - this action is dependent on ICT, who are assisting with the assessment of appropriate software. The original pilot was unsuccessful; therefore a more formal project is now required to fully assess all options. In the interim, training is being provided to staff on the risks of emails and what can/cannot be emailed on SWFRS systems</p> <p>09/10/15 - as previously stated, this action is dependent on ICT. The Business Support & Information Manager has provided training to staff which includes the importance of reviewing and correctly categorising all documents - and guidance on transmitting that information by email, however, this cannot be completed until facilities are in place for encryption of email - which is part of the wider ICT programme of work</p>	31/12/2015
Appraisal Review of the Anti-fraud Cyber Crime Preparedness Arrangements	The anomaly between the Internet and E-mail Usage Procedures and the Clearswift e-mail and internet sweeper setting relating to access to gaming and betting sites be addressed.	01/01/2014	31/03/2016	Lloyd, Christopher	<p>13/04/15 - To be reviewed following change of lead</p> <p>1/07/215 - Review not started.</p>	31/03/2016
Ass Review of the ICT Strategy, Policy & Procedures Arrangements	An escrow agreement be re-instigated for the Red Kite software to reduce the risk to the Service should be supplying company fail.	31/03/2015	31/12/2015	Mitchell, Heather	<p>13/04/15 - Following up with software supplier to agree Escrow arrangements.</p> <p>1/07/2015 - still awaiting discussion with supplier</p>	31/12/2015

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Assurance Review of the HR Rostering System Arrangements	The issues relating to difficulties in accessing the RAPs system from fire stations to be reviewed.	01/04/2016	31/03/2016	Mitchell, Heather	To be addressed as part of the Infrastructure Project 1/07/2015 - To be addressed as part of the Infrastructure Project	31/03/2016
Compliance Review of the Performance Management Arrangements	SWF&RS to address the weaknesses identified in the process for collating data to support and verify the submission to the Data Collection Unit for Performance Indicators FRS/CHR/C/004.	31/12/2015	31/12/2015	Nancarrow, Jannette		31/12/2015
Compliance Review of the Performance Management Arrangements	The SWF&RS is to put appropriate plans in place for future submissions of Performance Information to ensure the Welsh Government's Data Collection Unit receives all information in accordance with their deadlines.	01/01/2016	02/05/2016	Morris, Dai	A local timetable for our annual returns will be completed and communicated to all data owners within the service when the Welsh Governments deadlines are set in 2016. This will ensure all data is returned to the Data Collection Unit in a timely manner.	02/05/2016
Compliance Review of the Performance Management Arrangements	Evidence to support the submission of Performance Information should be held in an appropriate place that is accessible and easily identifiable to members of the HR team.	14/09/2015	14/09/2015	Nancarrow, Jannette		

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Assurance Review of the Asset Register Arrangements	A programme of regular IT asset inventory checks be established (e.g. annually). The checks performed should include verification of the existence of the asset and the accuracy of the data held on the Service Desk system.	31/03/2016	31/03/2016	Smith, Darren	01/10/2015 - No action will be made on this until the current replacement of existing equipment is carried out during the period October 2015 - April 2016 (replacement of the majority of current User equipment in use within the organisation). Once completed an Annual Review (where appropriate) of Assets held/Deployed will be carried out by the ICT Service Team as directed by the ICT Service Manager	
Assurance Review of the Asset Register Arrangements	ICT staff be given regular reminders on the importance of accurate, comprehensive and timely data entry to the service desk system to ensure records are kept up to date and assets accounted for accordingly.	09/07/2015	31/03/2016	Williams, Chris	ICT staff are reminded at team meetings about the importance of accurate, comprehensive and timely data entry to the service desk system to ensure records are kept up to date and assets accounted for accordingly. This action will be reviewed at the end of the ICT Infrastructure Project due to the large amount of equipment being introduced as well as the old equipment being disposed.	31/03/2016
Assurance Review of the Pensions Scheme Administration Arrangements	A proforma calculation document and supporting Standard Operating Procedure (SOP) be produced to assist and document the assumed pay calculation within the Schedule Summary Statement provided to Rhondda Cynon Taf County Borough Council.	31/03/2016	31/03/2016	Thompson, Julia		

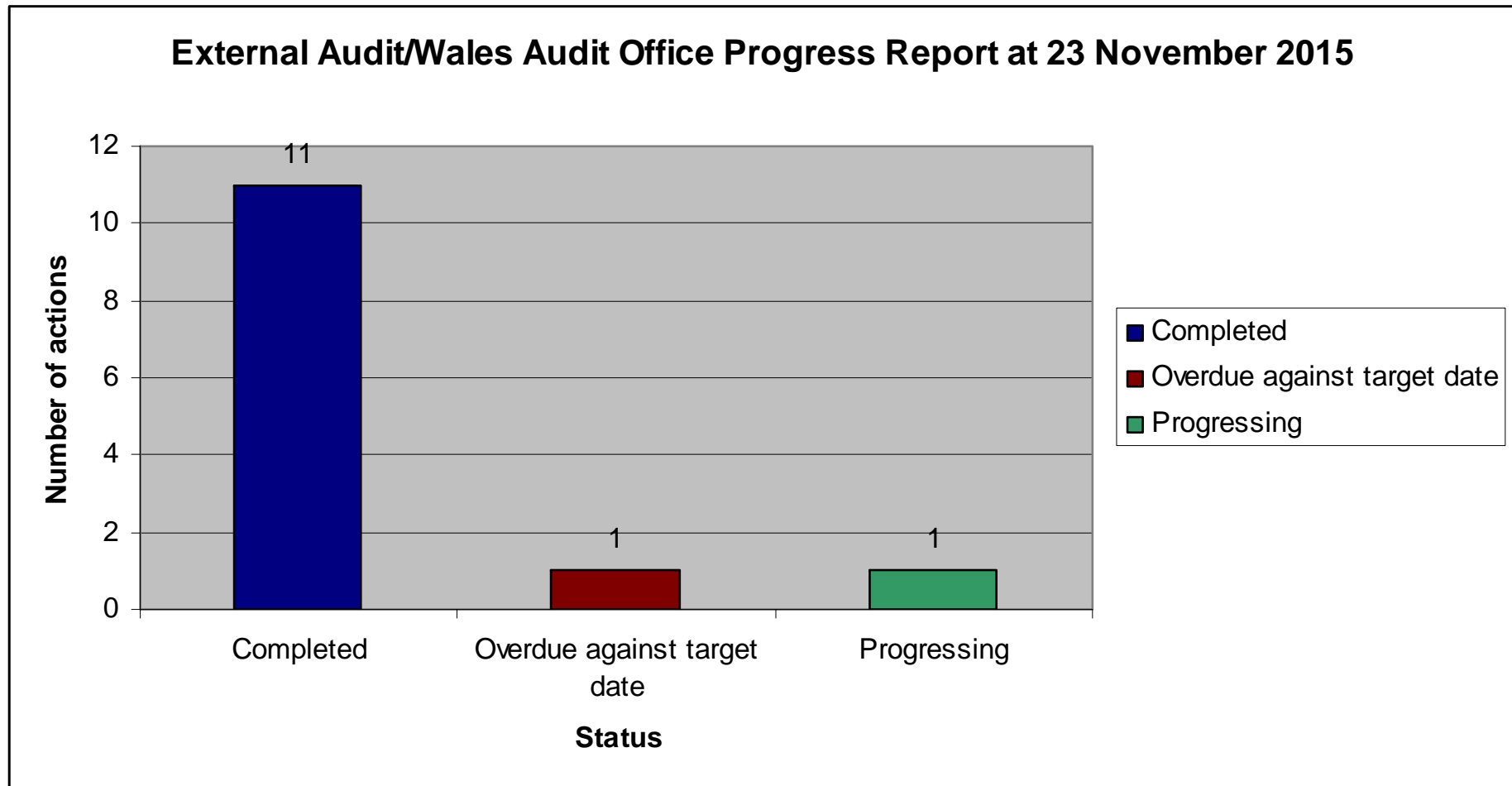
(ii) Internal Audit Actions snapshot of progress by category



(iii) External Audit/Wales Audit Office Actions Report

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Wales Audit Office - Financial Planning Assessment	Clearer links between improvement objectives and financial plans should be established Agree a written policy on the use of reserves	31/03/2015	31/03/2015	Barton, Chris		
Wales Audit Office - Data Quality Review	Well embedded systems produce accurate management information that is used to support improvement planning although some gaps exist in equality information.	18/03/2015	31/03/2016	Malson, Mark	9/8/15 - The implementation of CoreHR as commenced and Phase 1 is likely to be completed in October 2015. There is a full project management system in place to deliver the new HR ICT system over the next 18 months. 29/9/15 - As per the above. Core Phase 1 is now completed subject to addressing "workaround" issues. This means that CorePay and CoreHR are now active and this should start to assist the production of more accurate management information. However this is a 3 phased implementation process and the full impact of the introduction of Core will take 18 months to realise.	31/03/2016

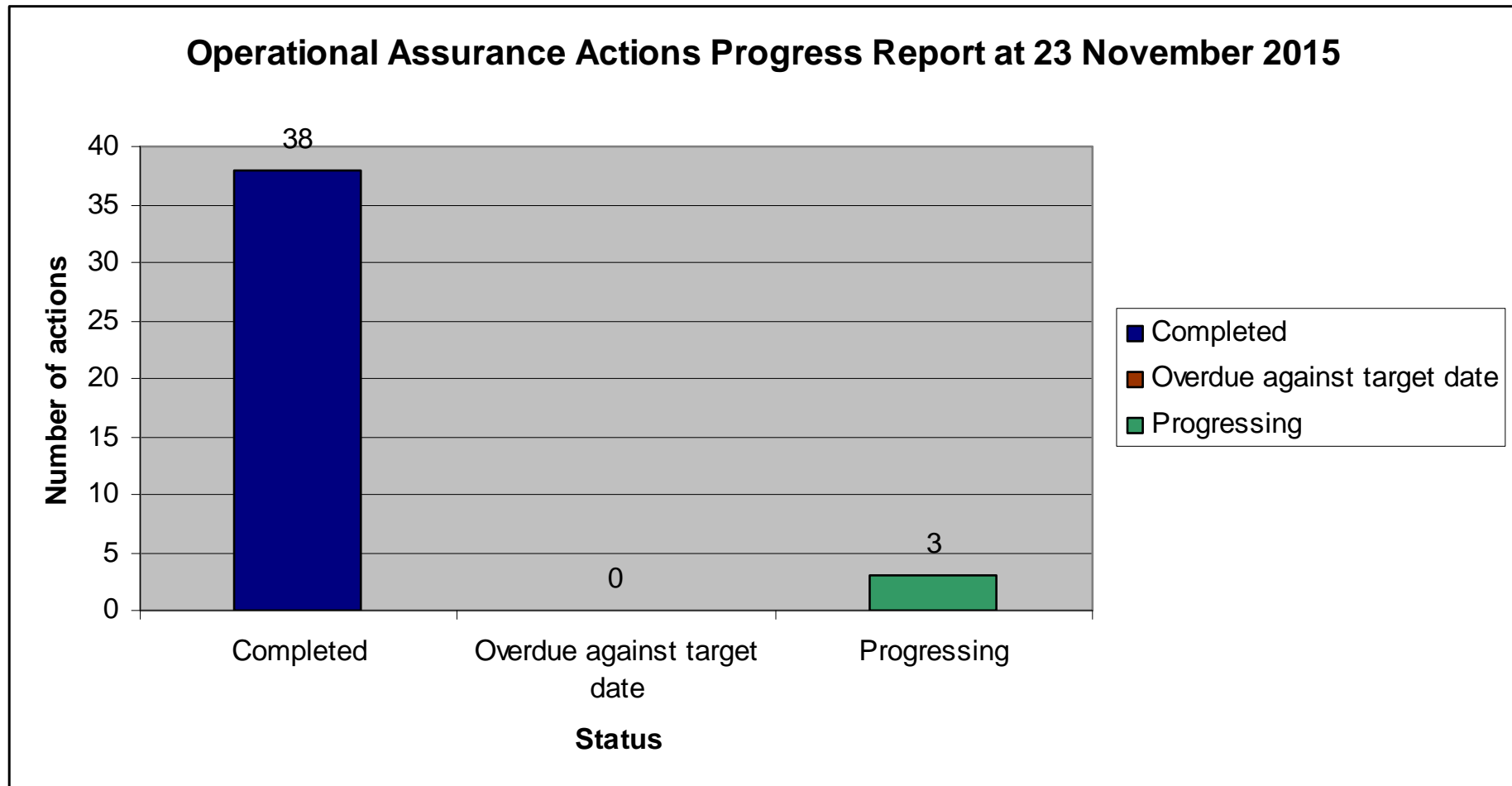
(iv) External Audit/Wales Audit Office Actions snapshot of progress



(v) Operational Assurance Actions Report

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Ops Assurance	Review systems of trend analysis and risk prioritisation following the implementation of the new MIS	01/03/2013	30/06/2016	Matheson, Richard	June 2015 - MIS not yet in place. Consideration being given to commercial software in the event that WMFRS does not deliver a suitable product. September 2015 - Discussions ongoing with West Mids. SMT agreement to continue, subject to a suitable Shared Service Agreement being in place.	30/06/2016
Ops Assurance	Review the allocation of Legislative Fire Safety resources following the introduction of the new MIS in line with the revised picture of risk.	01/03/2013	30/06/2016	Matheson, Richard	June 2015 - MIS Not in place. Consideration being given to commercial software solutions in the event that WMFS does not deliver a suitable MIS product. Sept 2015 - MIS not yet in place. 10/08/15	30/06/2016
Ops Assurance	Review the tagging elements within the electronic system of work allocation to ensure authorisation is fully recorded.	01/04/2013	01/12/2015	O'Connell, Ritchie	The work with WMFRS is ongoing, additional negotiations have taken place with them regarding the specifications for a fire safety MIS. Stn Manager St John Towell is leading on this project for SWFRS currently.	01/12/2015

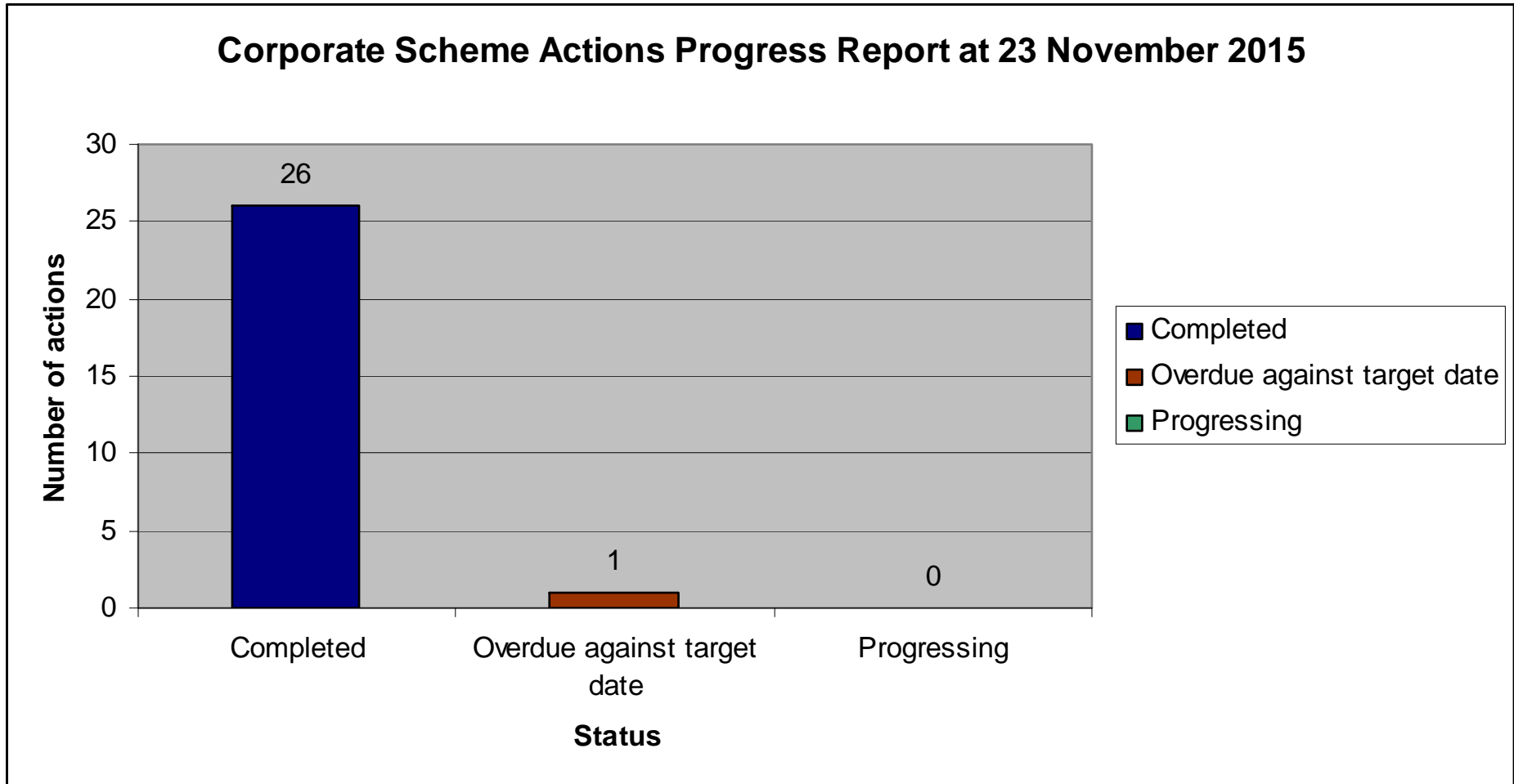
(vi) Operational Assurance Peer assessment actions snapshot of progress



(vii) Corporate Scheme Actions Report

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Strategic Equality Plan	Promote in-house equality and diversity good practice.	01/09/2012	30/03/2015	Baldwin, Cath	040814: equality was incorporated into recent domestic abuse awareness video. Based on data regarding operational applications from under-represented groups, which showed where certain groups consistently fail, videos have also been created showing how to do key elements of the selection process. Internal consultation has taken place on several policies. Active input into amending ERAs has been provided. Ongoing work with Firebreak to develop a real and meaningful monitoring form. Several Induction sessions have been undertaken. Both the Annual Equality Report and new Strategic Equality Plan are currently being drafted, with the SEP now following RBA model. We are joining the stonewall workplace index. We are joining the Time To Change Wales project (which aims to address also mental health stigma in the workplace) and an action plan has been approved by SMT.	30/03/2015

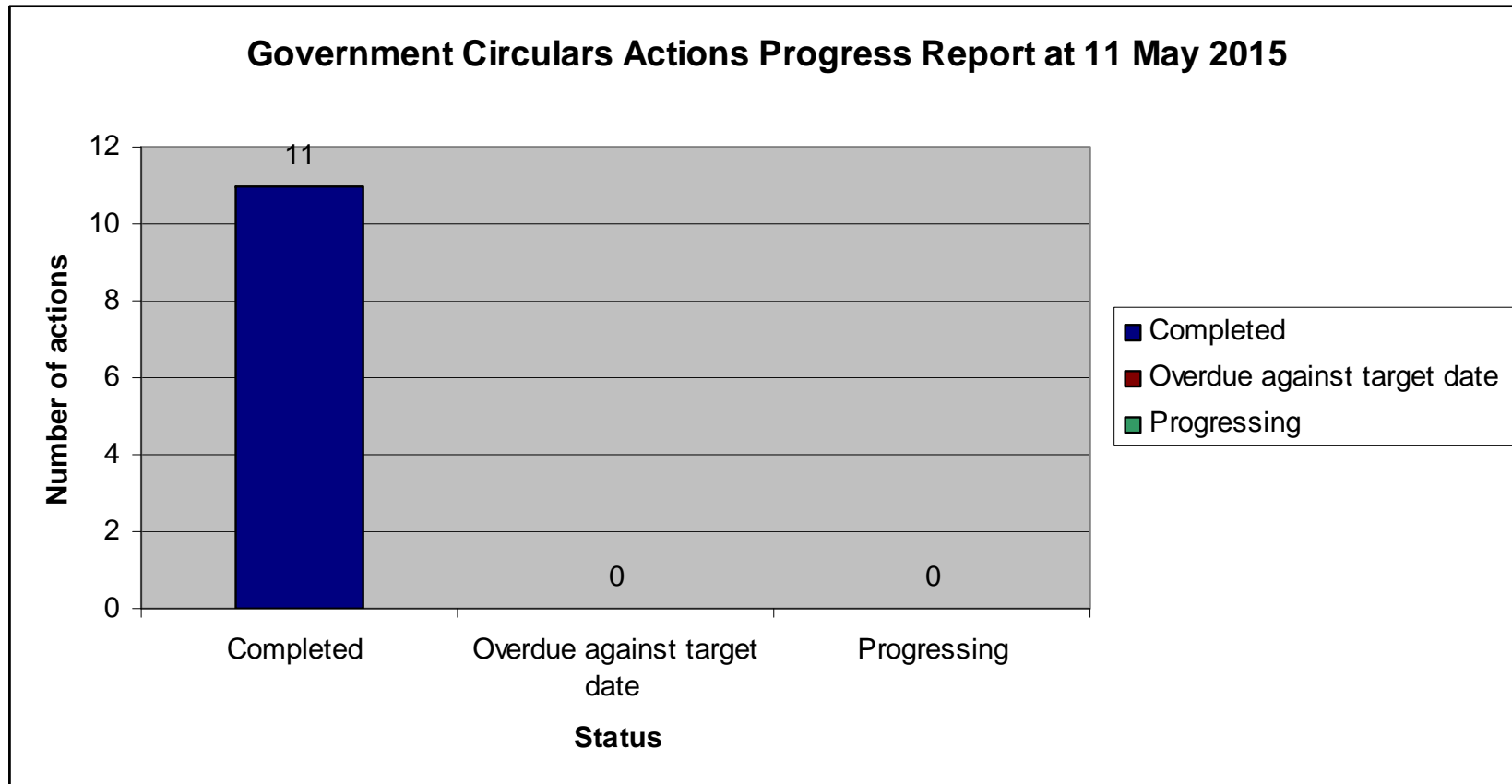
(viii) Corporate Scheme Actions snapshot of progress



(ix) **Government Circulars Action Report**

All Government circular actions have been completed.

(x) **Government Circulars Snapshot of progress**



**FORWARD WORK PROGRAMME FOR
FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE 2015/16**

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
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: Steve Rossiter	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by Fire Authority	Andy Thomas Contact Officer: Steve Rossiter	
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	
29 June 2015	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	Completed

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
29 June 2015	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	Completed
29 June 2015	Statement of Accounts	To advise Members of the content of the Statement	Treasurer Contact Officer: Chris Barton/ Geraint Thomas	Completed
29 June 2015	Medium Term Financial Strategy Update	To Update Members on the MTFs to inform and influence the 2016/17 budget setting process	Treasurer Contact Officer: Chris Barton	Completed
29 June 2015	Scrutiny of Incidents Where No Smoke Alarm was Fitted or Actuated	To provide a scrutiny of incidents where no smoke alarm was fitted or actuated and a comparison with family group 4 data	ACO SD Contact Officers: Andy Thomas	Completed
29 June 2015	Scrutiny of Strategic Objectives 1, 4 and 5	To scrutinise the issues in relation to each of the strategic objectives and to review what the Service has planned to do to address each issue in the current financial year	All Directors	Completed

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
14 Sept 2015	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	Completed
14 Sept 2015	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	Completed
14 Sept 2015	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	Completed
14 Sept 2015	Scrutiny of Strategic Objectives 2 and 3	To scrutinise the issues in relation to each of the strategic objectives and to review what the Service has planned to do to address each issue in the current financial year	All Directors	Completed

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
14 Sept 2015	WAO Annual Improvement Report	To advise Members of the key issues emanating from the annual report and to provide an opinion on adequacy and effectiveness of the organisation and its potential to improve, its approach to risk management, control and governance processes based on the WAO work undertaken during the year, including data quality & PIs, HR work, a Framework update, whistleblowing and forward planning	DCO Contact Officer: Sally Chapman	Completed
23 Nov 2015	Revenue Budget Setting Report	To assist in determining the appropriate revenue budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officers: Chris Barton/ Geraint Thomas	} Joint report on agenda
23 Nov 2015	Capital Budget Setting Report	To assist in delivering the appropriate capital budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officers: Chris Barton/ Geraint Thomas	
23 Nov 2015	Treasury Management Interim Report	To update Members on treasury management activity during the year to date	Treasurer Contact Officer: Chris Barton/ Geraint Thomas	On agenda

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
23 Nov 2015	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	On agenda
23 Nov 2015	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	On agenda
23 Nov 2015	Corporate Risk Register	To seek Members' views upon the Corporate Risk Register	DCO Contact Officer: Steve Rossiter	On agenda
23 Nov 2015	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO Contact Officer: Steve Rossiter	On agenda
7 March 2016	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	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
7 March 2016	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
7 March 2016	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
7 March 2016	Internal Audit Programme	To outline the planned internal audit coverage for the financial year and to seek comment and approval	DCO Contact Officers: Sally Chapman/ Geraint Thomas	
7 March 2016	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 Officers: Sally Chapman/ Geraint Thomas	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
7 March 2016	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	
7 March 2016	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO Contact Officer: Steve Rossiter	
7 March 2016	Scrutiny of Strategic Objectives 1, 4 and 5	To scrutinise progress in relation to achieving the actions planned to address each issue	All Directors	
9 May 2016	Corporate Risk Register	To seek Members' views upon the Corporate Risk Register	DCO Contact Officer: Steve Rossiter	
9 May 2016	Scrutiny of Strategic Objectives 2 and 3	To scrutinise progress in relation to achieving the actions planned to address each issue	All Directors	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
9 May 2016	Revenue and Capital Monitoring Reports	To provide an estimated overview of year end spend	DCO Contact Officer: Lisa Mullan	

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

Geraint Thomas - Head of Finance & Procurement
 Mark Malson - Head of Human Resources
 Steve Rossiter - Head of Service Performance & Communications

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:
 - Finance, Asset & Performance Management Working Group held on 27 July 2015 3
 - FAPM Meeting held on 14 September 2015 7
5. Revenue Monitoring Report 2015 -16 13
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7. Revenue Budget Estimate 2016-17 27
8. Treasury Management Mid Term Review Report 37
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12. Forward Work Programme 133

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