

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, 4 December 2017 at 10:30 hours

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

AGENDA

1. Apologies for Absence
2. Declarations of Interest

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

3. Chairman's Announcements
4. To Receive the Minutes of:
 - FAPM Meeting held on 11 September 2017 5
 - Finance Asset and Performance Management Working Group held on 13 March 2017 11
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At the close of the meeting Members will meet with the Wales Audit Office and Internal Auditors to discuss Service progress

Signature of Proper Officer:



MEMBERSHIP

Councillors:

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

SOUTH WALES FIRE & RESCUE AUTHORITY

MINUTES OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT MEETING HELD ON MONDAY 11 SEPTEMBER 2017 AT SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

1. PRESENT:

Councillor	Left	
K Critchley (Chair)		Newport
A Roberts (Deputy Chair)		Rhondda Cynon Taff
L Brown		Monmouthshire
R Crowley		Vale of Glamorgan
S Evans		Torfaen
K Gibbs		Merthyr Tydfil
A Hussey	Arrived 10:50	Caerphilly
D White	Arrived 10:45	Bridgend

APOLOGIES:

H Joyce	Cardiff
G Thomas	Blaenau Gwent

ABSENT:

OFFICERS PRESENT:- DCO S Chapman – Monitoring Officer, Mr C Barton – Treasurer, AFCO A Thomas – Director of Service Delivery, ACO P Haynes – Director of People Services, Mr G Thomas – Head of Finance & Procurement, Mr C Powell – Deputy Monitoring Officer, Ms S Watkins – Head of Service Performance & Communications, Mr J Maddock – TIAA Internal Auditor, Mr M Jones – Wales Audit Officer

2. DECLARATIONS OF INTEREST

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

3. CHAIR'S ANNOUNCEMENTS

WELCOME ADDRESS

The Chair welcomed Members and Officers to the first meeting of the Finance, Audit & Performance Management Committee for the Municipal Year 2017/2018. He stressed that politics would not play a role in running the Committee, and highlighted the importance of Members making every effort to attend future meetings.

4. MINUTES OF PREVIOUS MEETING

The minutes of the previous Finance, Audit & Performance Management meeting held on 3 April, 2017, were received and accepted as a true record of proceedings.

5. REVENUE OUTTURN 2016/2017

For the benefit of new Members, the Head of Finance & Procurement provided a formal introduction. He presented a report to Members which outlined the revenue outturn position, subject to the external audit process, for the financial year end 2016/2017, and the resultant impact on reserves.

Following a lengthy question and answer session on abbreviations within the report, Reserves, and maintaining recruitment levels, the Deputy Chief Officer provided a brief overview of the On-Call Firefighters project, and assured Members that they would receive updates on the issue at future meetings.

RESOLVED THAT

Members agreed to receive and note the outturn position and deployment of the net revenue surplus and usable reserves.

6. CAPITAL OUTTURN REPORT 2016/2017

The Head of Finance & Procurement presented a report which provided Members with the capital outturn position for the year

ended 31 March 2017, the financing arrangements, and the budget slippage required to complete capital schemes in 2017/2018.

Following a question and answer session on land acquisitions, the purchasing of vehicles, the Joint Control Centre at Bridgend, and the tri-party project, the Deputy Chief Officer provided Members with an overview of the Service's Risk Modelling tool, and risk profile for the areas where Stations could be sited.

RESOLVED THAT

- 6.1 Members agreed to note the report.
- 6.2 Members approved the budget slippage as detailed in Appendix 1 attached to the report.

7. STATEMENT OF ACCOUNTS 2016/2017

The Head of Finance, and Treasurer, informed Members that the Appointed Auditor was required to give his opinion on the financial statements for the year ended 31 March 2017. The presented report considered the statutory ISA260 report (draft), the final statement of accounts, and the letter of representation required by the auditor.

The Wales Audit Officer took the opportunity to present a brief update report on the Statement of Accounts 2016/2017, and the recommendations included within the report.

RESOLVED THAT

- 7.1 Members agreed to receive the amended ISA260 report of the Appointed Auditor.
- 7.2 Members agreed to receive the amended Statement of Accounts, with a view for formal approval of the updated version by the full Fire & Rescue Authority
- 7.3 Members agreed to note the letter of representation prior to completion by the Treasurer and Chair on behalf of the Fire & Rescue Authority.

7.4 Following lengthy discussion on the recommendations by the Wales Audit Officer in the previous year's report, Officers agreed to provide Members with a separate report with a progress update on the recommendations.

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

The Head of Service Performance & Communications presented a report which would give assurance to Members of the Fire & Rescue Authority and Senior Management within South Wales Fire & Rescue Service, on progress towards achievement of the Priority Actions agreed for 2017/2018, as at Quarter 1.

RESOLVED THAT

Members reviewed the performance details and statistical data for 2017/2018 contained within the presented report, and agreed to note the content.

9. REVENUE MONITORING REPORT 2017/2018

The Head of Finance & Procurement informed Members that the Revenue Monitoring report provided details of the annual revenue budget and associated information for the year ending 31 March, 2018.

RESOLVED THAT

9.1 Members agreed to note the content of the report.

9.2 Members agreed to approve the virement.

10. CAPITAL MONITORING REPORT 2017/2018

The Head of Finance & Procurement informed Members that the Capital Monitoring report provided details of the capital budget for the year, capital transactions to date, and a forecast position as at 31 March, 2018

RESOLVED THAT

- 10.1 Members agreed to note the budget and progress of capital schemes, approved the alterations identified in Appendix 1, and noted the associated funding streams.
- 10.2 Members approved the energy efficiency projects outlined in paragraph 2.1.5 within the report, with funding to be drawn from the Change Management Reserve.

11. 2016/2017 ANNUAL TREASURY MANAGEMENT REVIEW

The Treasurer presented a report for Members to consider the results of Treasury Management activities for the year ending 31 March 2017, in accordance with the Authority's approved Treasury Management Strategy.

RESOLVED THAT

Members agreed to recommend that the Fire & Rescue Authority note the Annual Treasury Management Review for 2016/2017, and approve the actual 2016/2017 prudential and Treasury Indicators set therein.

12. MEDIUM TERM FINANCIAL STRATEGY (MTFS) AND RESERVES STRATEGY UPDATE

The Treasurer presented a report to Members which included an update of the Medium Term Financial Strategy of the Authority, together with its reserve strategy.

RESOLVED THAT

- 12.1 Members agreed to note the content of the report.
- 12.2 In order to agree a timeframe to approve the Budget, Members agreed to attend a further meeting, and would utilise the Finance, Audit & Performance Management Working Group meeting on 9 October, 2017.

The Chair congratulated the Treasurer on presenting the complex report.

13. INTERNAL AUDIT REPORT

The Internal Auditor updated Members upon progress being made against the Internal Audit Plan 2017/2018.

RESOLVED THAT

Following a question and answer session on the Station Visits internal audit, Members agreed to note the internal audit recommendations and work completed to date on the Internal Audit Annual Plan.

14. FORWARD WORK PROGRAMME

The Deputy Chief Officer presented the Forward Work Programme for 2017/2018.

RESOLVED THAT

Members accepted the Forward Work Programme for 2017/2018.

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

There were no items of urgent business for Members to consider.

SOUTH WALES FIRE & RESCUE AUTHORITY
MINUTES OF THE FINANCE, ASSET & PERFORMANCE
MANAGEMENT WORKING GROUP MEETING
HELD ON MONDAY, 13 MARCH 2017 AT
SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

25. PRESENT:

Councillor

Left

J Morgan (Chair)
 K Critchley
 E Galsworthy
 E Hacker
 C Hawker
 C James
 A Jones
 B Morgan
 M Powell
 V Smith

Blaenau Gwent
 Newport
 Merthyr Tydfil
 Vale of Glamorgan
 Caerphilly
 Bridgend
 Torfaen
 Rhondda Cynon Taf
 Monmouthshire
 Monmouthshire

APOLOGIES:

D Ali
 P Drake
 S Pickering
 C Smith

Cardiff
 Vale of Glamorgan
 Rhondda Cynon Taf
 Bridgend

OFFICERS PRESENT: DCO S Chapman – Monitoring Officer; Mr C Barton – Treasurer; Mr C Powell – Deputy Monitoring Officer; Mrs S Watkins – Head of Service Performance & Communications; Mr W Thomas – Statistical & Risk Manager; GM S Cole – Operational Risk Management; ACFO R Prendergast – Director of Technical Services

26. DECLARATIONS OF INTEREST

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

27. CHAIR'S ANNOUNCEMENTS

The Chair expressed condolences on behalf of the Working Group to ACFO A Thomas following the recent loss of his father.

28. MINUTES OF PREVIOUS MEETING

The minutes of the Finance, Asset & Performance Management Working Group meeting held on Monday, 3 October 2016, were received and accepted as a true record of proceedings.

29. SCRUTINY OF ACCIDENTAL DWELLING FIRES

The Statistical & Risk Manager presented for Members' scrutiny a report which provided details of accidental dwelling fires attended in South Wales during the period 2011/12 to 2015/16.

RESOLVED THAT

Members noted the content of the report and agreed to continue to monitor the number of accidental dwelling fires as reported within the Fire & Rescue Authority Performance Management reports.

30. SCRUTINY OF SPECIAL SERVICE CALLS

The Statistical & Risk Manager presented for Members' scrutiny a report which provided details of the Special Service Calls attended in South Wales during the period 2011/12 to 2015/16.

RESOLVED THAT

Members noted the content of the report and agreed to continue to monitor the number of Special Service Calls attended, as reported within the Fire & Rescue Authority Performance Management reports.

31. OPERATIONAL EQUIPMENT ASSET MANAGEMENT PLAN 2017-2021

The Group Manager - Operational Risk Management provided Members with an update on the Operational Equipment Asset Management Plan for 2017-2021.

RESOLVED THAT

Members noted the content of the report.

32. SCRUTINY OF HIGH CORPORATE RISKS

The Deputy Chief Officer presented Members with detail of the seven significant risks currently on the Risk Register.

RESOLVED THAT

Members noted and agreed the validity of the high corporate risks presented.

33. FUEL MANAGEMENT REPORT

The Deputy Chief Officer provided Members with an overview of the progress made to the recording and management of fuel usage in the Service, following the previous negative internal audit reports received.

RESOLVED THAT

- 33.1 Members noted the progress made on the implementation of the Fuel Management System and the process improvements.
- 33.2 Members agreed to the continuation of work to develop the electronic recording of fuel card usage at forecourt pumps and to integrate the information to the Fleet Management System.
- 33.3 Members approved the installation of a fuel tank and pump at the Headquarters site.
- 33.4 Members agreed that fuel usage and management be included as an area for review in the Internal Audit Annual Plan for 2017/18.

34. FORWARD WORK PROGRAMME

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

RESOLVED THAT

Members noted the conclusion of the Forward Work Programme for the Finance, Asset & Performance Management Working Group for 2016/17.

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

AGENDA ITEM NO 5
4 DECEMBER 2017

TREASURY MANAGEMENT MID-TERM REVIEW REPORT 2017/18

SUMMARY

The Treasury Management Mid-Term Review Report provides an update on the Authority's treasury activities for the period 1 April – 30 September 2017.

RECOMMENDATION

The Finance, Audit & Performance Management Committee are asked to undertake the following;

- Note the report and the treasury activity for the period
- Note changes to the investment criteria
- Recommend approval of the report to Fire Authority

1. BACKGROUND

- 1.1 The Fire & Rescue Authority approved the Treasury Management Strategy Statement (TMSS) for 2017/18 on 13 February 2017. 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 Link treasury advisers.
- 2.2 The report contains performance and information for the 6 months leading up to 30 September 2017 on agreed prudential and treasury management indicators. Treasury procedures and subsequent reporting 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 legislation and the agreed strategy.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications of treasury activities have been factored into the Authority's budgeting processes and reporting cycles.

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, strategies and reporting regime.

5. EQUALITY RISK ASSESSMENT

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

6. RECOMMENDATION

- 6.1 The Finance, Audit & Performance Management Committee are asked to undertake the following;

- Note the report and the treasury activity for the period
- Note changes to the investment criteria
- Recommend approval of the report to Fire Authority

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	TMSS 17/18 TM Outturn Report 16/17 Revenue/Capital Monitoring Reports Link Service information

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.

Accordingly, treasury management is 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 13 February 2017.

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 which set out the manner in which the Authority will seek to achieve those policies and objectives.
3. Receipt by the full Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual 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 the 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 2017/18 financial year;

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Authority's capital expenditure (prudential indicators);
- A review of the Authority's investment portfolio for 2017/18;
- A review of the Authority's borrowing strategy for 2017/18;
- A review of any debt rescheduling undertaken during 2017/18;
- A review of compliance with Treasury and Prudential Limits for 2017/18.

Key Changes to the Treasury and Capital Strategies

A change to the minimum rating criteria to a short term rating of F2 and a long term rating of BBB+ for investment counterparties. This will enable us to include NatWest as a counter party to accommodate short term cash surpluses.

3 Economics and interest rates

3.1 Economics update

UK. After the UK economy experienced strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling following the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3%. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour for some sectors at least. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It therefore looks very likely that the MPC will increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of

October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the European Central Bank (ECB) eventually cutting its main rate to -0.4% and embarking on a massive programme of quantitative easing (QE). However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter 2 (2.3% y/y). However, despite providing massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start increasing until possibly 2019.

3.2 Interest rate forecasts

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

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

Note: Bank rate increased to 0.5% 2 November following a MPC vote

Link Asset Services undertook its last review of interest rate forecasts on 9 August after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate "over the coming months". It is therefore possible that there will be an increase to 0.5% at the November MPC meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further increases in Bank Rate during 2018.

The overall balance of risks to economic recovery in the UK is currently to the downside but there are huge variables over the next few years, Brexit being one and what form this will take.

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

- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Monetary policy action failing to stimulate sustainable growth and to get inflation up consistently to around monetary policy target levels.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The pace and timing 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 causing an increase in the inflation premium inherent to gilt yields.

4 Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by this Authority on 13 February 2017. The underlying TMSS approved previously requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out below:

A change to the minimum rating criteria to a short term rating of F2 and a long term rating of BBB+ for investment counterparties. This will provide flexibility in widening the range of potential counter parties available to the Authority and allow use of NatWest bank to help manage short term cash surpluses in addition to existing arrangements.

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 the Budget.

	2017/18 Original Estimate £000	Current Position £000	2017/18 Revised Estimate £000
Total capital expenditure	8,155	1,727	5,004

Since drafting the TMSS, capital

investment plans have been altered to more realistically match investment with the resources required to progress and manage the investment. The biggest change to the figures is the delay in commencing the build phase of the CFBT facility at Cardiff Gate and details of this have been reported in the capital monitoring reports to FAPM.

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 original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table 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 (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2017/18 Original Estimate £000	Current Position £000	2017/18 Revised Estimate £000
Total capital expenditure	8,155	1,727	5,004
Financed by:			
Capital receipts	0	0	0
Capital grants	0	0	0
Capital reserves	2,980	0	600
Revenue	200	200	896
Total financing	3,180	200	1,469
Borrowing requirement	4,975	1,527	3,508

5.3
C
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to the
Prudenti
al
Indicator
s for the
Capital
Financin

g Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external 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

The estimated Capital Financing Requirement (CFR) has not materialised due to delays in completing capital investment within original time frames.

Prudential Indicator – the Operational Boundary for external debt

	2017/18 Original Estimate £000	2017/18 Revised Estimate £000
CFR	47,175	44,722
Net movement in CFR	1,859	384
Borrowing	45,000	45,000
Other long term liabilities*	10,000	10,000
Total debt (year end position)	55,000	55,000

* On balance sheet PFI schemes and finance leases etc

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 2017/18 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.

	2017/18 Original Estimate £000	2017/18 Revised Estimate £000
Borrowing	36,309	33,809
Other long term liabilities* OLTL	4,780	4,780
Total debt	41,089	38,589
CFR* (year-end position)	47,175	44,722
Under/ (over) borrowed position	6,086	6,133

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

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 should reflect the maximum borrowing requirement and some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. There are no changes to this indicator as demonstrated above, revised estimates in debt and OLTL's, are not anticipated to exceed indicators;

Authorised limit for external debt	2017/18 Original Indicator	Current Position
Borrowing	50,000	
Other long term liabilities*	12,000	4,780
Total	62,000	

* Includes on balance sheet

PFI schemes and finance leases etc.

6 Investment Portfolio 2017/18

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 shown by forecasts in section 3.2, 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 current Bank Rate 0.50%. 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 and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

The Authority held £15.701 million of investment deposits and £11.724 million held in a Barclays current account as at 30 September 2017 (8 million of investment deposits and £6.488 million in the current account at 31 March 2017) and the investment portfolio yield for the first 6 months of the year is 0.32% which is relatively competitive in the current investment context.

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Barclays Bank Plc	11,723,691	0.25%		Call	A-	0.000%
Barclays Bank Plc	4,000	0.25%		Call	A-	0.000%
National Westminster Bank Plc	3,701,221	0.01%		Call	BBB+	0.000%
Lloyds Bank Plc	5,000,000	0.45%		Call95	A	0.015%
Lloyds Bank Plc	2,000,000	0.50%		Call175	A	0.027%
Lloyds Bank Plc	5,000,000	0.50%		Call175	A	0.027%
Total Investments	£27,428,912	0.32%				0.010%

Spending on capital schemes has not materialised as expected in addition to a large receipt of backdated pension funding and both have impacted the level of cash reserves. Consequently cash surpluses have been placed in notice accounts which attract more favourable investment rates although terms are not more than 365 days. Whilst notice accounts are not as liquid as straight forward call accounts, they enjoy short dated terms to ensure cash flow can be managed.

As a result of the above, approved limits within the Annual Investment Strategy were breached in aggregate during the first 6 months of 2017/18 as investment deposits exceeded £10 million although it is important for Members to note that the counterparty limits were maintained and the risk was spread throughout the investment portfolio.

The Authority's budgeted investment return for 2017/18 is £55k, and performance for the year to date is in line with the budget of £55k.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS requires amendment to include UK banking institutions with a rating of BBB+ as is the case with NatWest above. Members will note the enhanced creditworthiness signified by the blue colour rating amongst the above investments (the remainder of which are red). Whilst this appears to contradict the lower rating of BBB+, the colour rating reflects the support enjoyed by government backed institutions.

7 Borrowing

The Authority's closing capital financing requirement (CFR) for 2017/18 £44,722m. The CFR denotes the Authority's underlying need to borrow for capital purposes. 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 has borrowings of £33,809m and has utilised £1.7m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

It is anticipated that borrowing will not be undertaken during this financial year and capital investment will be supported by surplus cash flows.

8 Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate and no debt rescheduling has therefore been undertaken in the current financial year.

9 Other

Revised CIPFA Codes

The Chartered Institute of Public Finance and Accountancy, (CIPFA), is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November with changes affecting future reporting to and on behalf of members

MIFID II

The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions i.e. banks, conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on this Authority apart from having to fill in forms sent by each institution dealing with this authority and for each type of investment instrument we use apart from for cash deposits with banks and building societies.

APPENDIX 3: Approved countries for investments

Clients may wish to draw the attention of members to any changes to their approved list of countries for investments since their last report to members.

Based on lowest available rating

AAA

Australia

Canada

Denmark

Germany

Luxembourg

Netherlands

Norway

Singapore

Sweden

Switzerland

AA+

Finland

Hong Kong

U.S.A.

AA

Abu Dhabi (UAE)

France

U.K.

AA-

Belgium

Qatar

THIS PAGE IS CORRECT AS AT 30.9.17

REVENUE MONITORING REPORT 2017/18

SUMMARY

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

RECOMMENDATION

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

1. BACKGROUND

- 1.1 This report provides an update of the major changes affecting the revenue budget since the Finance, Audit & Performance Management (FAPM) Committee on 11 September 2017.
- 1.2 Appendix 1 details the annual budget, transactions to date, the forecast outturn position and variance analysis. Appendix 2 charts the budget variances reported at each FAPM Committee in addition to overall year end position.
- 1.3 Projected salary information has been produced in consultation with the People Services Directorate and in conjunction with Heads of Service. Non salary forecasts are a result of budget meetings held with devolved budget holders.

2. ISSUES

- 2.1 Updated revenue projections indicate an overall underspend of £205k, a decrease of £147k since previous reporting. This is a resultant of an overspend of £216k relating to the employee element of the budget which is offset by savings of £69k within non employee related budgets.
- 2.2 Since the previous report to FAPM the most significant changes are outlined below:

2.2.1 EMPLOYEE COSTS - £216k decrease in underspend

This consists of an increase within salary costs of £206k and a further increase in travel and subsistence of £12k.

The increase within salaries is due to a growth in establishment figures. However an overall underspend in year is forecast based on initial budget setting. Latest establishment figures are shown in

the table below. In addition, Local Government Pension Scheme costs have increased by £41k due to seventeen new members since the last FAPM report.

An increase in accommodation and transport claims are the main factors in the increase of £12k within travel and substance. Costs have increased from when the budget was initially set and when comparing against trends for the same period last year.

Establishment figures (FTE) as at 30 September 2017

	Strength*	Budgeted Estab
WDS	808.50	794
RDS (100%)	439.87	533
Control	38.94	47.50
Support Staff	267.54	255.54
YFF	59.79	67.00
Auxiliary Reserve	77.00	80.00

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

Total Leavers & Joiners April 2017 to September 2017 (Headcount)

	Starters*	Leavers*
Control	0	0
Support Staff	20	10
RDS	30	29
WDS	34	20
Auxiliary Reserve	0	4
Total	84	63

* Only details new starter or leavers to the Service and does not relate to additional contracts

2.2.2 PREMISES COSTS - £58k decrease in overspend

Energy efficiency savings of £50k have contributed towards the forecast savings along with a reduction in costs for NNDR due to a £26k credit being received relating to an overpayment for Lanelay Hall. A reduction in re-active works than initially forecast against grounds maintenance has also led to further savings.

These savings have been partially offset by increased boiler works and repairs following an annual maintenance review along with

increased repairs to drill towers including at Malpas, Aberdare and Abercarn stations.

2.2.3 SUPPLIES AND SERVICES - £155k increase in overspend

An increase in the number of new recruits has seen uniform costs increase with a forecast currently at an additional £100k.

Other equipment is forecast to increase by £41k for the potential increase in overspend against the Home Fire Safety (HFS) stock budget in relation to Welsh Government funding received. This additional overspend since the previous FAPM report is due to a drive in promotions and the number of HFS checks. This overall overspend against grant funding is to be reviewed in year as any potential underspend from the other Wales fire authorities will be offset and therefore reduce the anticipated overspend.

£36k has been transferred from revenue for costs incurred for the Business Management Information System purchased by the service. These costs have been identified as non enhancing expenditure and are to be included as part of the Capital programme.

Due to the current Welsh translator vacancy, an additional £20k is forecast for translation costs payable so as to process the current backlog.

The subscriptions budget is estimated to increase by £19k and is largely attributable to additional charges which had not been budgeted along with smaller additions including price increases. Budget holders are reviewing current subscriptions with a focus on best value practices for both the current and future financial years.

A further £10k is anticipated for increased printer cartridge costs based on costs incurred to date. This budget is being reviewed, including at Penarth, Cwmbran and Pontypridd stations, as new printers have been installed on station and should see a reduction in costs.

2.2.4 TRANSPORT RELATED EXPENSES-£31k increase underspend

Forecast transport costs are lower than budget and this includes within re-active budget areas that are continually reviewed in year. The main factor in the underspend is a reduction of £23k within the fuel budget when compared with the trend of expenditure to date for the same period in 2016/17.

2.2.5 CONTRACTED SERVICES - £24k decrease in underspend

There is a £10k increase in consultancy costs within the human resources budget. This is offset by income received from both Mid and West Wales Fire and Rescue Service and North Wales Fire and Rescue Service for costs that are to be apportioned between the services.

A further £9k is forecast for external audit fee costs based on the annual charge for 2016/17 however this charge will not be confirmed until March 2018.

2.2.6 CAPITAL COSTS / LEASING - £135k increase in underspend

£57k was set aside in the initial budget setting for external borrowing costs however the current and future cash flow positions indicate external borrowing is not required during this financial year.

In addition a further saving is a result of the overall capital programme spending being lower than anticipated at budget setting. The under spend comprises of a £74k reduction in the forecast for the Minimum Revenue Provision (MRP) charge due to delays in projects being undertaken.

2.2.7 INCOME - £24k Additional

Additional income is forecast which is offset by additional expenditure. £10k relates to the increased consultancy costs within the human resources budget and a further £15k are course contribution fees relating to United Kingdom Rescue Organisations (UKRO) and Hazardous Materials (HAZMAT) within the training budget.

3. FINANCIAL IMPLICATIONS

3.1. An overall projected underspend on the revenue budget of £205k.

4. EQUALITY RISK ASSESSMENT

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

5. RECOMMENDATION

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

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance and 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 2017/18							APPENDIX 1
		Original Budget 2017/18 £	Budget (vired budget) 2017/18 £	Actual at 19.10.17 £	Forecast 31.03.18 £	Over/Under Spend Against Revised Budget	Over/ Under Spend %
Employee Costs							
	Salaries, NI & superann.	53,384,169	53,240,679	30,589,290	52,585,011	655,668	0.9%
		53,384,169	53,240,679	30,589,290	52,585,011	655,668	
	Pensions (ill health)	941,991	941,991	306,116	889,788	52,203	0.1%
	Travel and Subsistence	406,200	406,200	224,443	436,681	-30,481	0.0%
	Total Employee Costs	54,732,359	54,588,869	31,119,848	53,911,480	677,389	1.0%
	Premises Related Expenses	4,445,100	4,445,100	2,178,173	4,903,370	-458,270	-0.7%
	Training Expenses	1,516,954	1,516,954	212,471	1,500,363	16,591	0.0%
	Supplies & Services	3,445,152	3,445,152	2,580,517	4,112,872	-667,720	-1.0%
	Transport Related Expenses	1,403,802	1,403,802	624,827	1,335,196	68,606	0.1%
	Third Party Payments (Contracted Services)	844,656	988,146	473,038	938,243	49,903	0.1%
	Capital costs / leasing	4,643,389	4,643,389	592,513	4,444,670	198,719	0.3%
	Contingency	250,000	250,000	0	0	250,000	0.4%
	Income	-1,075,226	-1,075,226	-604,737	-1,145,246	70,020	0.1%
	CONTRIBUTION BUDGET 2017/2018	70,206,186	70,206,186	37,176,649	70,000,949	205,238	0.3%
Key							
	 Overspend						
	 Underpend						

APPENDIX 2								
	Original Budget 2017/18 £	Revised Budget (vired budget) 2017/18 £	FAPM Forecast 11.09.17 £	FAPM Forecast 04.12.17 £	Variance at FAPM 11.09.17 to Revised Budget	Variance at FAPM 04.12.17 to FAPM 11.09.17	Cumulative Variances against Revised Budget	Summary on variances previously reported
Employee Costs								* Vacancy underspends Reduction in number of Ill Health Charges than budgeted WG grant funding received in respect of Community Safety posts Increase in mileage claims
Salaries, NI & superann.	53,384,169	53,240,679	52,378,886	52,585,011	861,793	-206,125	655,668	
	53,384,169	53,240,679	52,378,886	52,585,011	861,793	-206,125	655,668	
Pensions (ill health)	941,991	941,991	891,293	889,788	50,698	1,505	52,203	
Travel and Subsistence	406,200	406,200	425,071	436,681	-18,871	-11,610	-30,481	
Total Employee Costs	54,732,359	54,588,869	53,695,250	53,911,480	893,620	-216,230	677,389	
Premises Related Expenses	4,445,100	4,445,100	4,961,468	4,903,370	-516,368	58,098	-458,270	* Increase in NNDR following revaluation Charges incurred for delayed works from 2016/17 Redecoration work (inc Cardiff, Bridgend and Pontyclun) Increase to appliance bay door repairs and work to external areas
Training Expenses	1,516,954	1,516,954	1,501,113	1,500,363	15,841	750	16,591	* Reallocation of budget to Consultancy
Supplies & Services	3,445,152	3,445,152	3,957,947	4,112,872	-512,794	-154,926	-667,720	* Increase to Operational Equipment Inc. Cardiac Arrest Project and Packex Other Equipment to increase potentially by £209k for overspend against WG funding for HFS £72k previously submitted as part of capital bid Increase to annual insurance premiums
Transport Related Expenses	1,403,802	1,403,802	1,365,781	1,335,196	38,021	30,585	68,606	* Reduction in forecast lease car costs Savings within fleet budget in re-active areas.
Third Party Payments (contracted services)	844,656	988,146	914,427	938,243	73,719	-23,816	49,903	* Surplus identified at budget setting
Capital costs / leasing	4,643,389	4,643,389	4,579,984	4,444,670	63,405	135,313	198,719	* Reduction in MRP due to capital programme being lower than anticipated
Contingency	250,000	250,000	0	0	250,000	0	250,000	* Contingency approved by members during budget setting
Income	-1,075,226	-1,075,226	-1,121,696	-1,145,246	46,470	23,550	70,020	* Additional income offsetting additional expenditure within non employee areas
CONTRIBUTION BUDGET 2016/2017	70,206,186	70,206,186	69,854,273	70,000,949	351,913	-146,676	205,238	

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

AGENDA ITEM NO 7
4 DECEMBER 17

CAPITAL MONITORING REPORT 2017/18

SUMMARY

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

RECOMMENDATION

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

1. BACKGROUND

- 1.1 This report provides an explanation of changes since 11 September FAPM. Appendix 1 illustrates 2016/17 budget slippage, the 2017/18 budget, expenditure incurred to date, a forecast 31 March position and budget slippage into 2018/19.
- 1.2 In summary, the total available budget equates to £8.3 million, the forecast outturn and slippage for the year is £5 million and £3.8 million respectively. There is a 'net over spend' on the available budget of £551k which largely relates to unbudgeted co-location work to Barry station and energy efficiency works (approved by Members), equating to £696k and £100k respectively. The increases are offset to an extent by under spends on planned and preventive maintenance (PPM) and the vehicle replacement programme (VRP). The increased forecasts are offset by 'earmarked funding streams' and a more detailed explanation is provided in the narrative below.
- 1.3 Appendix 1 provides a detailed breakdown of the schemes contributing to the aforementioned position together with the necessary financing arrangements. This following provides a narrative update in support of figures detailed in Appendix 1.

2. ISSUES

2.1 Property

2.1.1 Land Acquisitions

Further to discussions with the property manager, funds previously earmarked for a potential purchase of land at South Connelly have been diverted to support unbudgeted works at

Barry and the BA complex at Bridgend station, as these scheme represented a more pressing priority for the Service.

If and when a site is identified for purchase at South Connelly, the budgeting and funding implications can be assessed in more detail and reported to Members accordingly. Funds earmarked for the Pontypridd station have been maintained and slipped into 18/19, as previously reported.

2.2 Station Refurbishments

2.2.1 Monmouth

The previous forecast has been revised downwards from £300k to £100k due to capacity issues in progressing works as a result of competing priorities. It is envisaged the £100k will fund initial fees required to progress the build phase. Consequently, slippage has increased from £298k - £498k to accommodate continuation of works in the new financial year.

2.2.2 New Inn

A similar situation to the above is also applicable to New Inn and the forecast has been revised from £500k - £150k which results in increased slippage into 18/19.

2.2.3 Barry

A major refurbishment has been fast tracked and is a key factor in continuing partnership links with Welsh Ambulance Service Trust (WAST) in addition to the potential cost sharing benefits of co-location. Previous reporting stated these works would be contained within the planned preventative maintenance (PPM) budget although refurbishment costs are significant at £1.4 million and this warranted enhanced visibility in reporting. As outlined above, budget from South Connelly and PPM have been diverted to support this priority area. Project transactions will span three financial years with the majority of spending keeping pace with construction activity and taking place in 2017/18 with completion in May 2018. Costs are expected as follows;

2017/18	£900k	
2018/19	£430k	
2019/20	£70k	5% retention due 12mth following completion

The cost of refurbishment in 2017/18 is offset by funding receivable from WAST equating to £695,911.

2.2.4 BA Complex

As above, works at this site have been prioritised with estimated costs expected to come in at £224k and completion to take place within this financial year with budget diverted from the PPM budget.

2.3 New Builds

2.3.1 Compartment Fire Behaviour Training Facility (CFBT)

The 17/18 forecast has not altered as the project is progressing as expected. Interviews have been held to appoint contractors and construction is envisaged to start in March and entails a nine month build duration.

2.4 Planned and Preventative

2.4.1 As per the above narratives, anticipated spend in this area has reduced as the budget has been diverted to support priority works. As a result, the forecast of £200k will be spent in the following areas;

HQ fuel tank and pump	£120k
Abercarn drill yard repair	£80k

To date, nothing has been spent or ordered against these projects.

2.5 Energy Efficiency Schemes

2.5.1 Following a progress meeting with the Property Team, the previous forecast of £400k has been reduced to £100k for 2017/18 with the remaining estimated spend of £954k to be incurred in 2018/19, as follows;

	No sites	17/18	18/19	Completion
Station LED	40	£100k	£522k	Oct 18
WDS BMS	12		£132k	18/19
HQ Air Conditioning	1		£300k	Oct 18
		£100k	£954k	

With the exception of WDS building management system (BMS) contracts can be awarded through existing frameworks and mini competitions which shortens timelines associated with procurement and allows an early start on scheme works (WDS BMS is subject to longer OJEU timelines). At the time of report

writing, no contracts had been awarded which nonetheless affect completion dates and in turn financial forecasts.

2.6 **Vehicle Replacement Programme (VRP)**

2.6.1 **Aerial Appliance**

Delivery of the Aerial Appliance is now expected in the next 4 weeks and the forecast has been reduced to reflect actual costs as there is no additional spending expected.

2.6.2 **Non-Operational 4WD**

Previously reported forecast omitted costs for both the slipped forward vehicle and the vehicle on order for this year. As a result the forecast has increased from £22 - £45k with a small under spend of £4k.

2.6.3 **Rescue Boat**

As a result of water rescue funding available from WG to the three FRS's, the purchase of a boat from the SWFRS may not be necessary. Specifications of funded boats may suit the operational needs of the replacement boat and whilst best of funds suggests it should, this is yet to be confirmed by operations.

2.7 **ICT**

2.7.1 **Business Information Management System (BIM)**

The projection has increased to accommodate the £36k licencing costs which are integral to containing whole project costs and providing a useful benchmark for future renewal. These costs will be treated as non-enhancing capital costs at year end.

2.7.2 **Finance/Procurement System**

Due to competing priorities, the focus of the Accountancy is on the 'faster closure' project and development work on the finance system will be postponed.

3 **FINANCIAL IMPLICATIONS**

- 3.1 Appendix 1 illustrates capital scheme details and is supported by paragraphs 2.1 to 2.7 above. The total available budget of £8.3 million, compared to the forecast investment costs of £5 million, resulting in £3.8 million of slippage to 2018/19 and a net over spend of £558k.

3.2 The schedule of financing capital investment is also illustrated in Appendix 1.

4. EQUALITY RISK ASSESSMENT

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

5. RECOMMENDATION

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

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

CAPITAL PROGRAMME 2017/18							APPENDIX 1	
	SLIPPAGE B/F 2016/17 £000	2017/18 BUDGET £000	ACTUAL AS AT 30.10.17 £000	COMMITTED AS AT 30.10.17 £000	OUTTURN POSITION 31.03.18 £000	BUDGET UNDER/(OVER) SPEND £000	SLIPPAGE C/F 2018/19 £000	
PROPERTY								
LAND ACQUISITIONS								
PONTYPRIDD	425		0	0	0	0	425	
SOUTH CORNELLY	325	-325	0	0	0	0	0	
STATION REFURBISHMENTS								
MONMOUTH	598	0			100	0	498	
NEW INN	0	500	3	7	150	0	350	
BARRY (Co-location contributions below)		204	0	0	900	-696	0	
BA Complex		224	143	103	224	0	0	
NEW BUILDS								
CFBT FACILITY CARDIFF GATE	499	2,500	1	25	500	0	2,499	
PLANNED & PREVENTATIVE MAINT	470	-103	0	0	200	167	0	
ENERGY EFFICIENCY SCHEMES (Reserve funding below)	0	0	0	0	100	-100	0	
	2,317	3,000	147	135	2,174	-629	3,772	
VEHICLES								
AERIAL APPLIANCES	275	0	224	0	224	51	0	
NON-OPERATIONAL 4WD	23	26	23	21	45	4	0	
VANS (LIGHT VEHICLES)	43	155	40	156	196	2	0	
RESCUE BOAT	0	45	0	0	0	0	45	
WATER LADDERS	671	1,150	1,115	580	1,802	19	0	
	1,012	1,376	1,402	757	2,266	77	45	
EQUIPMENT - ORM								
CS EDUCATION VEHICLE	0	33	38	0	38	-5	0	
	0	33	38	0	38	-5	0	
EQUIPMENT - ICT								
BIM SYSTEM	126	0	79	0	126	0	0	
FINANCE/PROCUREMENT SYSTEM	21	0	0	0	0	0	21	
HQ BACKUP EQUIPMENT	45	0	1	3	45	0	0	
HR/PAYROLL SYSTEM	50	0	0	0	50	0	0	
ICT REPLACEMENT PROGRAMME	0	55	41	0	55	0	0	
SERVICE DESK SYSTEM	50	0	19	44	50	0	0	
STATION SWITCHES	0	0	0	0	0	0	0	
HQ SWITCH REPLACEMENT	0	200	0	0	200	0	0	
	292	255	139	47	526	0	21	
TOTAL	3,621	4,664	1,727	939	5,004	-558	3,838	
FUNDING ANALYSIS								
					BORROWING	3,709		
					CO-LOCATION CONTRIBUTIONS	696		
					REVENUE CONTRIBUTION	200		
					REVENUE RESERVES	400		
						5,004		

CORPORATE RISK REGISTER 2017/2018 – QUARTER 2 REVIEW

SUMMARY

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

RECOMMENDATIONS

That Members view the operational 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).
- 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 The register was split into strategic and operational risks to enable greater focus.
- 2.2 There are currently eight risks on the operational register; of these two are rated significant (high), three are material (medium), three are manageable (low).

- 2.3 Attached at Appendix A is a diagram showing the overall risk profile of all the live operational risks according to residual risk score.
- 2.4 Appendix B shows progress updates recorded during Quarter 4 for all operational risks categorised according to significant, material and manageable.

3. EQUALITY RISK ASSESSMENT

- 3.1 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.

4. RECOMMENDATIONS

- 4.1 That Members view the risks contained within the Operational Corporate Risk Register and agree their validity.

Contact Officer:	Background Papers:
Kevin Rudge Engagement, Transformation & Performance Officer	<ul style="list-style-type: none"> • Appendix A – Risk Matrix of Operational Risks by Residual Score • Appendix B – Operational Risks Updates

Appendix A

Risk Matrix of Operational Corporate Risks by Residual Score

IMPACT	16	<div style="display: flex; justify-content: space-around;"> 80.4 140 </div> 32	48	64	80
	8	16	24	32	40
	4	<div style="display: flex; justify-content: space-around;"> 80.2 </div> 8	<div style="display: flex; justify-content: space-around;"> 77 11 </div> 12	16	20
	2	4	6	8	10
	<div style="display: flex; justify-content: space-around;"> 130 </div> 1	<div style="display: flex; justify-content: space-around;"> 14 </div> 2	3	<div style="display: flex; justify-content: space-around;"> 80.5 </div> 4	5
	LIKELIHOOD				

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Appendix B

Significant Operational Risks (High)

Risk Owner	Ref no	Risk Description	Score	Progress updates
A Thomas	140	IF we do not maintain high levels of competent On Call Duty System (OCDS) firefighters in our Service THEN we will have lower levels of OCDS appliance availability, which will make it difficult to fulfil our statutory obligation.	32	<p>The OCDS recruitment processes from application form through to medicals have been scrutinised and reviewed to improve and reduce the time demands placed on applicants progressing through the system. Improved alignment of processes have been achieved across departments to reduce the selection process time. This has now been reduced from previous average times of 12-15 months to an average of 6 months. All candidate information material is being reviewed and updated to ensure accuracy of information and make it more attractive to read and easier to digest.</p> <p>A questionnaire has been developed to capture information from candidates currently progressing through the selection process to inform and shape future processes and training demands.</p> <p>A pilot contract was launched on the 1st of September to provide greater flexibility to OCDS staff. The original contract allowing three variances to the contract has been increased to eight across 15 stations. The pilot will run for six months and be evaluated to determine the outcomes on availability and optimum crewing levels.</p>

Risk Owner	Ref no	Risk Description	Score	Progress updates
S Chapman	80.4	IF the people elements of the Shaping Our Future (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.	32	Project management structures remain and have morphed to cover other strategic projects of the organisation. Consideration is to be given to closing this risk down / changing the risk for the next quarter to reflect the change in nature as SOF projects are becoming more mainstreamed as other organisational projects report to project board. In relation to structures review, necessary to keep scoring at current level pending progression of this area. Consideration still being given to a number of areas, and therefore important to bear in mind continued communication with staff via newsletter articles / feedback via heads of service / team leaders.

Material Operational Risks (Medium)

Risk Owner	Ref no	Risk Description	Score	Progress updates
S Watkins	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	Consultation Engagement Group (CEG) continues to meet. Delivered a successful engagement event at Pride during the summer.
C Hadfield	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>A governance meeting has taken place and a full project plan has been developed that identifies:</p> <ol style="list-style-type: none"> 1. The contractual arrangements 2. The product- RIDGE and workbooks 3. Aftermarket arrangements- support and future further development. <p>A test of the system has been carried out; with a full test planned for the 1st December. Full product of Risk Management (RIDGE) to be completed by April 2017.</p> <p>An interim ICT solution has been procured for the staff of SWFRS, in the form of tablets with 4G capability. This will reduce the overall risk of teams being unable to work in the business environment due to failing existing tablets (originally purchased in 2009).</p>

S 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.	8	Project management structures remain and have and have morphed to cover other strategic projects of organisation. Consideration to be given to closing risk down / changing risk for next quarter to reflect change in nature as SOF projects become more mainstreamed and other organisational projects report to project board.
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Manageable Operational Risks (Low)

S 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.	4	Resource issues have meant that some of the reviews have not been revisited as yet to close the loop of the complete review. Process of recording methodology and date of other reviews becoming mainstreamed (e.g. OCDS review).
G Thomas	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.	2	Internal audit undertaken in October which identified recommendations to be included in the review of the Service Policy for Anti-Fraud and Corruption. No change to risk score.
P Haynes	130	IF We fail to effectively resource the implementation year of the Welsh Language Standards THEN We will be unable to deliver our obligations under the standard.	1	Welsh Language Scheme (WLS) report completed in readiness for Human Resources & Equalities (HR&E) Committee. Welsh Language consultation response developed.

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

AGENDA ITEM 9
4 DECEMBER 2017

REVENUE BUDGET ESTIMATE 2018/19

SUMMARY

This report advises Members on progress towards the revenue budget approval for 2018/19 and sets out the proposed budget consulted on with the 10 constituent authorities, together with any consultation responses received.

RECOMMENDATIONS

That Members recommend to the Fire & Rescue Authority an estimate of net expenses of £71,162,672 for the financial year 2018/19.

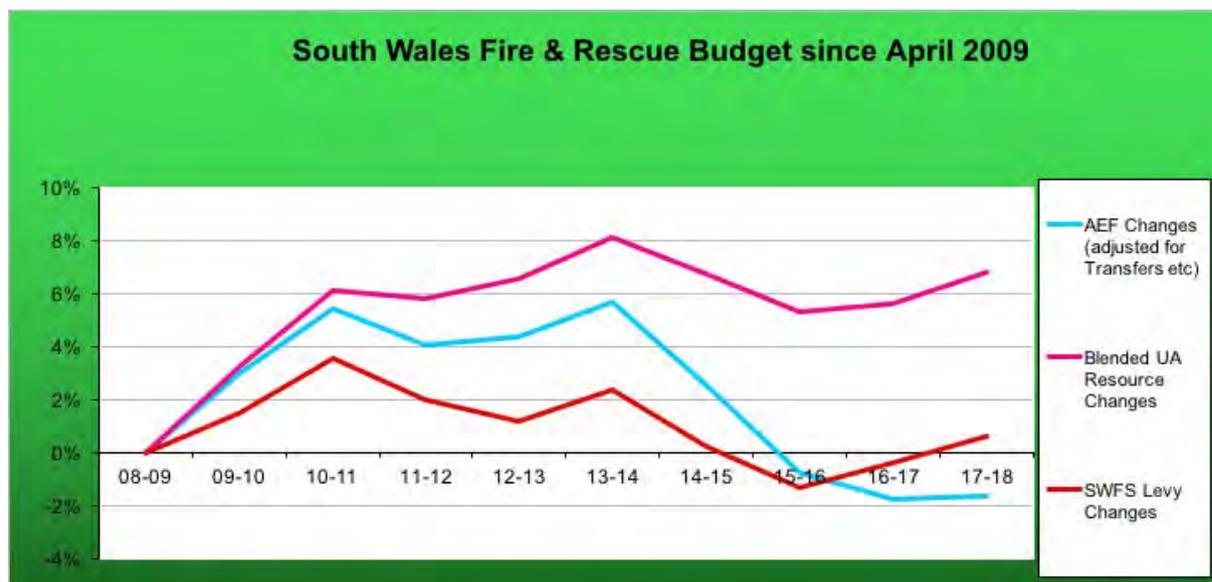
1. BACKGROUND

- 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 2018/19 budget, details of the draft budget were circulated to constituent authorities for consultation.
- 1.4. Since the commencement of austerity measures some nine years ago, the Fire & Rescue Authority (the Authority) has successfully managed to contain its expenditure whilst maintaining service levels, continuing with service improvements and taking on new burdens. The current year’s revenue budget, at £70.2m, equates to the same level of cash spending in 2008/09.
- 1.5. To put this in context, the Welsh Government’s recent budget statement indicated that Welsh public sector spending will have reduced by 12% in real terms between 2010 and the end of this decade. This Authority has delivered significant efficiency savings and absorbed service pressures such that its budget has already reduced by approximately 14% in real terms since 2010.

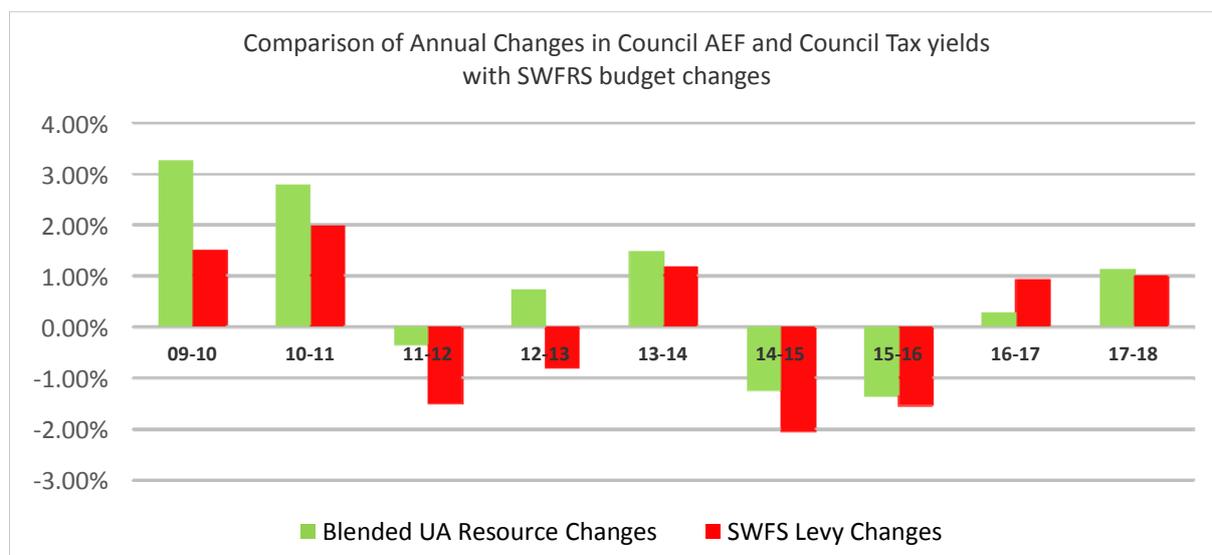
- 1.6. The Authority does not have to finalise its budget until February. The Authority has however approved a timescale aimed at a December approval of the final budget. This is primarily to give certainty to constituent councils at an earlier stage in their budget cycle.
- 1.7. Accordingly, this report is to finalise the detail of the budget and make a recommendation to the Authority meeting on 18 December 2017.

2. LOCAL GOVERNMENT SETTLEMENT

- 2.1 The draft Welsh Government budget was released on 3 October 2017 and the draft local authority settlement on 10 October 2017. It included a 0.5% average cash reduction in like for like government support for local authorities in Wales. For the 10 constituent authorities in South Wales, the average settlement reduced by 0.42% with only Cardiff City Council seeing an increase and some authorities at the floor (-1%) introduced by Welsh Government. The final settlement is planned for December.
- 2.2 The Chancellor will be making an autumn statement in November and it is unclear as yet whether the content of that statement will significantly alter the Welsh Government's budget. Further information will be reported at the meeting should anything significant emerge.
- 2.3 The Fire & Rescue Authority on 18 December will be provided with an update regarding the final local government settlement in Wales, assuming it is published as planned.
- 2.4 The 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 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 charts demonstrate the extent to which the Authority has achieved this aim since the credit crunch of 2009.



- 2.5 The budget for the Authority in 2017/18 is in cash terms still close to the level of 2008/09. This is significantly below the combined level of Aggregate External Finance (AEF) and local taxation available to councils over the same period.



- 2.6 Since 2008/09, the Authority's budget has remained at a comparatively lower level than the equivalent change in net resources available to the constituent councils.
- 2.7 As implied within the charts above, AEF is not the only source of funding available to councils to meet expenditure. Councils also raise local taxation to fund services. As AEF has been restricted throughout the economic downturn, the balance of funding has been changing with local taxation representing a greater proportion of councils' net revenues. In 2017/18, local taxation represented around $\frac{1}{4}$ of the net resources available.

- 2.8 It is not possible to know what decisions councils will take around council tax next year but previous analysis of known historical average changes in yield show an average increase of around 4.7%. This increase is derived not only from increased rates of tax but also from increases in the tax base and better collection rates. Commentary from local authority representatives following the settlement indicates that council tax will again increase disproportionately to meet the demand to fund services and possibly up to the cap of 5%.
- 2.9 It is the combined effect of changes in AEF and this yield from council tax which determines the net resources available to local councils. Allowing for the cost of council tax benefits, the draft settlement combined with a 4.7% increase in council tax yields would represent a 0.8% increase in net resources across the councils in South Wales.

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. This year has again seen a significant shift of the population data which is also reflected in the local government settlement.

Unitary Authority	17/18	17/18	18/19	population		contribution	
	contribution	population	population	change		change	
	£	No.	No.	No.	%	£	%
Bridgend	6,602,717	142,450	142,862	412	0.29%	-3786	-0.06%
Vale of Glamorgan	5,939,124	128,133	128,280	147	0.11%	-13750	-0.23%
Rhondda Cynon Taf	11,033,480	238,042	238,482	440	0.19%	-17776	-0.16%
Merthyr Tydfil	2,743,065	59,180	59,219	39	0.07%	-7693	-0.28%
Caerphilly	8,378,145	180,754	181,027	272	0.15%	-16360	-0.20%
Blaenau Gwent	3,221,013	69,492	69,433	-58	-0.08%	-13824	-0.43%
Torfaen	4,259,494	91,896	91,991	95	0.10%	-10342	-0.24%
Monmouthshire	4,300,798	92,787	92,931	144	0.15%	-8227	-0.19%
Newport	6,870,789	148,234	148,729	495	0.33%	-859	-0.01%
Cardiff	16,857,561	363,693	366,959	3,266	0.90%	+92617	0.55%
Total	70,206,186	1,514,661	1,519,913	5,251	0.35%	0	0.00%

- 3.3 The table above demonstrates that the largest cash changes are Cardiff (increase of £93k) and RCT (decrease of £18k). This is an unsurprising outcome as Cardiff was the one authority with a positive financial settlement due to its increasing population share. It must again be stressed that these impacts are not within the control of the 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 2017/18 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 employee cost 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 • In the vast majority of cases, budgets are cash limited
Reviewing the projected out-turn for 2017/18	<ul style="list-style-type: none"> • The projected underspend in 2017/18 has informed the budget production • Further identification of savings has been undertaken following the completion of the year end accounts • Where underspends are likely to continue, reductions in budget are assumed
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 cost pressures and budget reductions in arriving at the proposed budget for 2018/19.

- 4.3 One of the biggest variables in the budget formulation is the assumed level of pay increases. This budget is constructed on the following assumptions:

	2017/18	2018/19
Grey Book	2%*	3%
Green Book	1%	1%

* Only 1% was built into the 2017/18 original budget which effectively means a 4% increased provision is necessary in 18/19

- The grey book (firefighters) pay inflation is based on the rejected offer made by the local government employers. The green book (non-uniformed) inflation is based on the existing public sector pay cap. If there is any reason to alter these assumptions then clearly, the budget would require adjusting up or down accordingly. It is not certain what the timing of any announcements or decisions in this regard may be at present.
- 4.4 Staffing budgets have traditionally been underspent mainly resulting from difficulties in recruitment to replace leavers and retirees. There have also been particular problems in recruiting and retaining on-call fire fighters due to the changing nature of employment and also a general shift in societal patterns of living and working. Whilst it is possible to factor into the budget an allowance for some aspects of this budget underspend (£500k has been built in to these projections relating to staff turnover), it is also recognised that there are initiatives underway to ensure that recruitment and retention levels are balanced with the existing need for fire cover and other emergency responses.
- 4.5 A number of budget reductions have been implemented following the review of last year's outturn. These included savings identified in fleet, pension costs, overtime and allowances and capital financing.
- 4.6 Invest to save projects are being implemented to reduce ongoing costs. These include the joint fire control project based in South Wales Police HQ in Bridgend but also several projects aimed at reducing energy costs including the installation of low cost LED lighting across the estate, renewal of heating and air conditioning systems and better building management solutions including remote monitoring and control.
- 4.7 A number of the projects which emerged from the Fire Cover Review have not been able to be implemented at this stage due to ongoing consideration of potential sites and this work is ongoing
- 4.8 The Authority has maintained a contingency budget for some years. However, given the consistent good record of financial management and underspending, together with the adequate level of balances currently

held, it is reasonable to consider removing the current provision of £250k per annum.

- 4.9 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. Particular consideration of the Authority's various plans and strategies has been a factor in deciding where budget is allocated.
- 4.10 Key themes within current plans have been used to ensure that budget resource allocation decisions are cognisant of areas for investment and savings. One area of growth which has been identified to date is the need to consolidate the existing ICT provision of the Authority given the significant challenges and projects within the Authority's plans. Accordingly, £200k provision has been made in the base budget to achieve these aims. It is possible that further investment will be required to deliver other projects and improvements and wherever possible, this investment will be met from savings and one off reserves. Further reports will be brought forward in due course if such investment is identified.

5. SPECIFIC GRANTS

- 5.1 The Authority relies on specific grants and contributions from Welsh Government to fund a number of risk reduction and other initiatives. It is important for Members to note that the 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.

External Funding 2017/18	£000
PFI Training Facility	1,161
Community Risk Reduction Initiatives	525
Urban Search and Rescue (USAR)	826
National Resilience	571
Firelink	632
Crown Premises Inspector	60

- 5.2 In previous years, late grant announcements have made setting the budget difficult. Regardless of grant funding, the Authority has always been minded to continue with important risk reduction activities as these facilitate reduced spending on response activity and of course save lives. Current indications are that such grant reductions will not occur next year but formal grant approvals are not yet confirmed.

6. CONSULTATION

- 6.1 It is not unusual for the Authority to receive both formal and informal correspondence from the constituent authorities in the lead up to the budget process. Such correspondence and responses are included at Appendix 2 to the report. Should any responses be made after the agenda has been issued, the Committee will be informed of the content at this meeting.

7. ESTIMATE FOR 2018/19

- 7.1 Members are now recommended to confirm the revenue budget estimate which formed the basis of the consultation. The table below summarises the revenue budget movement from current year to next. A detailed breakdown of the estimated budget is provided at Appendix 1.

	£000	% change
Net Budget 2017/18	70,206	-
Indexation (as assessed in MTFS) – Pay	2,031	2.89%
Indexation (as assessed in MTFS) – Non-pay	506	0.72%
Provision for reduction of specific funding (see section 5 of the report)	0	0.0%
Budget reductions, absorbed inflation provision and savings	(1,580)	(2.25%)
Budget 2018/19	71,163	1.36%

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

Council	2017/18 contribution £	2018/19 contribution £	Change	
			£	%
Bridgend	6,602,713	6,688,835	86,118	1.30%
The Vale of Glamorgan	5,939,104	6,006,101	66,977	1.13%
Rhondda Cynon Taf	11,033,506	11,165,782	132,302	1.20%
Merthyr Tydfil	2,743,057	2,772,639	29,574	1.08%
Caerphilly	8,378,145	8,475,706	97,561	1.16%
Blaenau Gwent	3,221,030	3,250,883	29,870	0.93%
Torfaen	4,259,480	4,307,043	47,549	1.12%
Monmouthshire	4,300,778	4,351,053	50,255	1.17%
Newport	6,870,807	6,963,525	92,736	1.35%
Cardiff	16,857,566	17,181,105	323,544	1.92%
Total	70,206,186	71,162,672	956,486	1.36%

- 7.3 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 Authority cannot influence or change the population basis of the distribution.

8. FINANCIAL IMPLICATIONS

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

9. EQUALITY RISK ASSESSMENT

9.1 The recommendations of this report will, if adopted, result in reduced revenue budgets in real terms for 2018/19 over the equivalent amounts for the current year. This will represent a continuous period of real terms reductions.

9.2 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.

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

10. RECOMMENDATIONS

10.1 That Members recommend to the Fire & Rescue Authority an estimate of net expenses of £71,162,672 for the financial year 2018/19.

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 2018/19

Expenditure/Income Head	£
Direct Employee Costs	47,642,161
Indirect Employee Costs	8,261,344
Repair & maintenance	697,800
Lease costs - Occ Health unit	74,800
Grounds maintenance	50,000
Cleaning	421,500
Rates, Rent, Leases etc.	1,151,000
Water	42,000
Energy	588,000
Security	120,000
Telephones/Communications	1,423,000
Training	1,495,681
Seminars/Conferences	50,600
Furniture & equipment	61,132
Operational equipment	260,000
Other equipment	97,200
RTC (scrap vehicles)	55,000
Fitness/training equipment	70,000
Equipment repair & maintenance	148,125
Fire Ground consumables (foam)	20,000
I.C.T.	767,469
Clothing & Uniforms	370,075
Photocopying, printing and stationery	113,400
Postage & freight	17,200
Advertising (vacancies, etc.)	164,200
Licences	75,870
Literature /Books / subscriptions	156,554
Catering and supplies	58,500
Other supplies and services	25,360
Insurances	1,014,245
Fleet	1,253,802
Contracted Services	869,996
Capital Costs and Leasing	4,643,389
Contingency	0
Total Expenditure	72,259,403
Income	1,096,731
Net Budget	71,162,672

Appendix 2**Email from RCT in response to Budget Consultation**

From: Bradshaw, Christopher
Sent: 08 November 2017 11:05
Subject: RE: South Wales Fire & Rescue Authority Budget and Contributions 2018/19

FAO Chris Barton – Treasurer of SWFRS

Chris,

Thank you for the letter setting out SWFRS budget proposals for 2018/19. The Council Leader, Cllr Andrew Morgan, set out clearly in his letter to the Chair of the SWFRS, Cllr Tudor Davies, last week the Council's position in respect of future budget contributions to the SWFRS.

I have discussed your letter with Cllr Morgan and we can confirm that the budget proposals set out in your letter, of a 1.2% increase in respect of RCTCBC, would be supported by the Council.

Thank you for continuing to adopt a pragmatic and prudent approach to setting the Council's SWFRS budget contributions.

Regards
Chris Bradshaw



Swyddfa'r Cabinet | Cabinet Office

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Mr Huw Jakeway
 Chief Fire Officer
 South Wales Fire and Rescue Service
 South Wales Fire & Rescue Service Headquarters
 Forest View Business Park
 Llantrisant
 CF72 8LX



Dyddiad/Date: 30 October 2017

Dear Mr Jakeway

Despite a better than expected 2018/19 budget settlement from Welsh Government, the councils across South Wales have to deal with another reduction in the Revenue Support Grant of up to 1%, before taking into account all the other cost pressures from rising wage, utilities and supply costs and an ever growing demand for social care services. In Rhondda Cynon Taf this equates to a budget gap of in excess of £11m. Taking into account the £100m of savings we have secured over the past six years, finding solutions to the budget deficit is becoming harder each year.

The Council Tax base in Rhondda Cynon Taf is low, with a 1% increase in Council Tax only raising £760,000, after taking in to account the council tax reduction scheme and therefore, an acceptable increase in Council Tax has little impact on reducing the budget gap. To reduce this budget gap we are working with all suppliers, contractors and key partners to share this financial pressure and maintain increases in costs to a minimum.

Rhondda Cynon Taf Council's budget for the South Wales Fire and Rescue Authority (SWFRA) for 2017/18 is in excess of £11m and represents 15.7% of all the contributions from the 10 councils. I am aware of the good work of the SWFRA and the chief officers in ensuring that your budget is well managed and over the past few years annual fire service budget increases have been kept to a minimum whilst still providing a good service to the communities across South Wales.

We hope that you will retain this approach and for 2018/19, the SWFRA will limit its budget increase, as in 2017/18, to 1% or lower, whilst continuing to explore opportunities to:

- Maximise grant and other income;
- Make best use of the SWFRA's £15m of reserves on a spend to save basis to generate long term savings;
- Further collaborate with partners, building on the shared emergency telephone contact centre and the shared community bases;
- Work with partners to further reduce the risk of fires through proactive investment; and
- Deliver your services more efficiently.



Dewiswch iaith a diwyg eich dogfen | Available in alternative formats and languages

Fydd gohebu yn y Gymraeg ddim yn arwain at oedi | Corresponding in Welsh will not lead to a delay

I have to stress that as a council, I and my cabinet could not support an increase in excess of 1%.

If we can be of help and assistance in supporting the SWFRA to reduce its cost base through collaboration with the council, please do not hesitate to contact me, or the Council's Chief Executive, Chris Bradshaw.

Yours sincerely



Y Cynghorydd Andrew Morgan
Arweinydd Cyngor Bwrdeistref Sirol Rhondda Cynon Taf

Councillor Andrew Morgan
Leader of Rhondda Cynon Taf County Borough Council

Copy to:

Cllr S Bradwick
Cllr J Harries
Cllr S Pickering
Cllr A Roberts

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

AGENDA ITEM 10
4 DECEMBER 2017

**REPORT ON PROGRESS OF AUDIT, SCHEME AND CIRCULAR ACTION
UPDATES AS AT 4 DECEMBER 2017**

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.

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 28 actions recorded as progressing on the database, with 1 of these shown as overdue against target date, and 308 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.

Contact Officer:	Background Papers:
Paul Conway Engagement, Transformation & Performance Officer	<ul style="list-style-type: none">• Appendix 1 - List showing progress recorded against actions arising from Internal Audits, Wales Audit Office Thematic Reviews, Operational Assurance Peer Reviews, Corporate Schemes and Government Circulars.

APPENDIX 1

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.

(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
Assurance review of the Governance - Internal Communication Arrangements	To alleviate the conflicting pressures placed on the Media and Communications Team the wider teams within the Service be reminded of the importance of allowing sufficient time for requests to be completed, when planning communications activity.	03-04-17	03-04-17	Carpanini, Francesca	Continuing planning meetings with key leads within each of the 'customer' departments that utilise Media & Communications and its functions so that requests are managed accordingly and planned in as early as possible to reduce conflicting pressures and deadlines on the team.	31-03-18
Assurance Review of the Governance - Internal Communication Arrangements	The Service, Performance and Communications Team continue as planned to finalise the Communications and Engagement Strategy 2017-2020 and seek endorsement from the Senior Management Team.	03-04-17	03-04-17	Carpanini, Francesca	The communications and engagement strategy has been updated to reflect the digital communications changes within the team, as well as additional strategic considerations being given to the engagement activity being delivered under the Media & Communications department on behalf of the Service.	30-11-17

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 Governance - Internal Communication Arrangements	Prior to the commencement of Joint Control there is opportunity to enhance the efficiency and effectiveness of the methods of communication between the Service's Media and Communications Team and Control, which the Service should look to remedy in keeping with the debrief recommendations from the Red Kit Multi-Agency Exercises.	03-04-17	03-04-17	Carpanini, Francesca	An updated guidance document has been drafted and agreed between Mid & West Wales FRS, Joint Control and SWFRS which will be distributed to all key contacts by end of November which will close the action due to setting out clear procedure and communications channels between Media & Communications and the Control room.	30-11-17
Appraisal Review of the Estate Management Strategy Arrangements	The compliance management package be developed to help record and monitor compliance activities and reduce administration.	05-12-16	01-12-17	Corrigan, Nick	25-10-17 No further updates, ICT are still progressing.	08-09-18
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.	31-10-13	31-12-14	Evans, Jackie	24th October 2017 Following a recent meeting of the Security Risk Group, it was agreed that, in line with other Public Sector Partners, SWFRS will move from Government Protective Marking Scheme (GPMS) to the Government Classification Scheme. Jackie Evans is currently writing guidance for staff on how to apply the new markings. This task is still reliant on work being undertaken by ICT in relation to encrypted email.	31-03-18

Audit/Scheme/Circular Name	Action Description in Full	Original Target Date	Current Due date	Action Owner	Action Owner Progress Update	Revised Target Date
Operational Review of the Authority Assurance Framework	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.	30-11-15	31-12-17	Watkins, Sarah	Q1-2017 Project Management arrangements will be reviewed within the new Business Management Information System (BMIS) project. Q2-2017 Project Management will be reviewed within the new BMIS project once the Planning Framework element has been established and rolled out across the Service.	31-03-18
Appraisal Review of the Risk Mitigation Arrangements	At the next review of the Corporate Risk Register consideration be given to the information captured within the SharePoint fields of 'prevention controls in place', 'further prevention actions planned', and the 'comments - record of all updates and reviews' to ensure that a consistent message is relayed within the risk control measures.	31-12-17	04-09-17	Watkins, Sarah	Q1-2017 previous comment still stands Q2-2017 The risk element of the BMIS project will be carried out once the planning framework elements have been completed and rolled out across the service.	31-03-18

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 Governance - Internal Communication Arrangements	The intended restructure of the Media and Communications Team is to give consideration to the following factors; the Welsh Language Standards; additional Data Protection requirements to co-ordinate, maintain and manage consent forms for all moving imagery, photographs and audio recordings; the introduction of new bilingual intranet and internet sists; the synergies between the communication and engagement functions within the Service; 24/7 support for media and communication activity; and the resilience of the senior roles within the media and communications team over forthcoming months.	03-04-17	03-04-17	Watkins, Sarah	Q1 - 2017 Website reviewed and reduced in time to enable compliance with Welsh Language Standards. The future structure of the Media and Communications Team has been proposed to ELT and SMT. Awaiting ELT confirmation of acceptance, expected in Q2 2017. Temporary Communications Officer recruited to provide resilience. Website project launched with Temporary Website and Communications Officer recruited to run the project. Temporary Project Support Officer recruitment in progress. Planning is in progress for further actions. Interim structure remains in place awaiting decision on the future structure of the department. Website project is progressing.	01-01-18

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 - Training Arrangements	The rationale for the four identified WDS individuals deemed out of compliance with the Service's requirement to attend a breathing apparatus requalification and assessment course be determined, to identify any lessons to be learned to mitigate any future instances of non-compliance and the timelines within which they are remedied	30-04-17	30-04-17	Greenman, Ian	Discussions are ongoing with the Head of ICT with a view to ensuring that this occurrence does not happen again prior to the launch of the CORE HR system.	28-02-18
Assurance Review of the HR - Training Arrangements	The Senior Management Team at least annually be presented with a position statement of compliance with the Service's training requirements.	30-04-17	30-04-17	Greenman, Ian	Subject to the issue with the Peterborough Software Enterprise (PSE) system and a temporary solution pending the launch of the Core HR system, this task is not yet able to be fully complied with.	31-01-18
Assurance Review of the Payroll & HR Controls Arrangements	All procedures relating to HR and Payroll processes be reviewed and amended as planned.	31-08-14	31-03-17	Jeal, Kimbely	24-10-17 - Work continues to update procedures. Full implementation is still outstanding.	31-03-18
Follow Up Review	Payroll HR Controls 2013-2014 All procedures relating to HR and Payroll processes be reviewed and amended as planned	30-03-14	30-03-14	Malson, Mark	We are currently implementing a new Integrated HR & Payroll system, CoreHR. This is leading to the department having to re-engineer procedures in order to implement the new systems. This work is on-going and it is anticipated that a full set of standard operating procedures will be drafted and implemented once the implementation of CoreHR is completed.	31-03-18

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 HR Management - Absence Management	The Welfare and Attendance Monitoring Procedure be updated to reflect current practice.	11-09-17	31-03-18	Nancarrow, Jannette	I am currently carrying out workshops with Station Managers that will feed into this. These workshops are ongoing but the original target date still stands.	31-03-18

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	Payroll HR Controls (2013/14) All procedures relating to HR and Payroll processes be reviewed and amended as planned.		31-12-17	Smith, Clare	<p>26-10-17 - Core version 23.0.6 has now been implemented and minor releases 23.0.7 to 23.0.17 have been updated at the end of September 2017. We are now turning occupational absence back on and Core will be resolving any issues we have with this as they have been ongoing since we went Live with Core in October 2015. Once this has been resolved, we will be implementing Core Expense which will then hopefully allow us more time to fully review the procedures relating to HR and payroll and amend as necessary. We hope to have this implemented by the end of March 2018.</p> <p>We have already had a meeting to discuss reviewing the procedures and a member of the payroll team and 2 members of the employee relations team will be meeting to discuss procedures and paperwork, in the first instance, relating to Statutory Payments. Our On Call team will be meeting with payroll, ICT and employee relations at the end of November to discuss the problems we are having with timely receipt on call paperwork and any procedural changes that need to be made now Core is Live will be discussed.</p> <p>at that meeting as this will also address the timely receipt issue.</p>	31-03-18

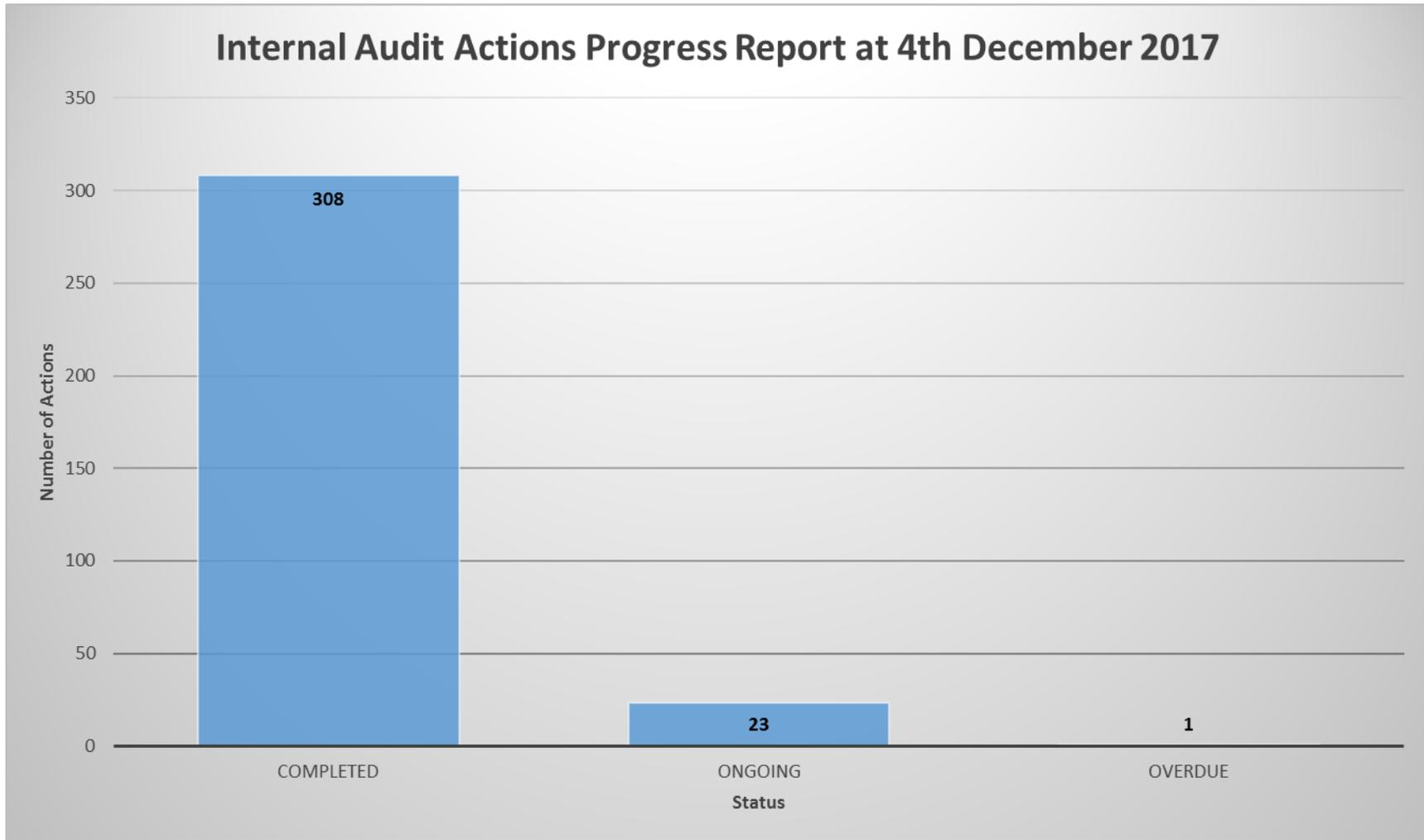
Audit/Scheme/Circular Name	Action Description in Full	Original Target Date	Current Due date	Action Owner	Action Owner Progress Update	Revised Target Date
Follow Up Review	Group Managers be advised to be more assertive in their comments on Station Audit reports to address unsatisfactory performance/standards in relation to high risk/high profile areas in order that the desired outcome is achieved.	20-05-16	30-04-17	Bellew, Eric	25.10.2017 – This quarter has seen a marked improvement in terms of quantity and quality of comments generated by UA GMs following their Station audits. To date, three fifths of UA Audits have been completed with 99% of the Main Audit Report having a summative comment by the Unitary Authority (UA) GM. However, the report is not closed until the end of the year and GMs will continue to update their Audit commentary as quarterly snapshots of station performance are inputted. The Operations, Audit and Support Team (OAST) will continue to monitor summative commentary in order to ensure that an end of year summary of station performance is completed at the end of the year.	08-01-18
Regularity Review - Station Visits 2017/2018 -2	Routine fire alarm tests and firefighting equipment inspections to be carried out on a weekly basis and emergency lighting tests on a monthly basis be undertaken at all stations in accordance with the procedures set out in the Raising Awareness, Reducing Risk Log book.	11-09-17	11-09-17	Simmons, Paul	Audit and Support team carrying out station audits on ad hoc basis. All inspections being carried out correctly to this point.	11-12-17

Audit/Scheme/Circular Name	Action Description in Full	Original Target Date	Current Due date	Action Owner	Action Owner Progress Update	Revised Target Date
Regularity review - Station Visits	All staff undertaking quarterly checks of first aid kits be reminded that expired first aid kit items must be removed as part of the periodical check carried out every three months.	11-09-17	11-09-17	Simmons, Paul	All staff undertaking quarterly checks of first aid kits have been reminded that expired first aid kit items must be removed as part of the periodical check carried out every three months.	11-12-17
Regularity Review - Station Visits	Members of staff at all Stations must be reminded that all equipment identified on the Due Reports need to be tested the Redkite system updated in a timely manner or the Redkite Customer Support Team need to be advised that items are not located at the Station recorded on Redkite as having the item to enable enquiries to be made to identify the location of these items.	11-09-17	11-09-17	Simmons, Paul	Redkite checks are being carried out in line with online programme. Station audit team are carrying out quarterly checks and feeding back to (UA) GM's.	11-12-17
Regularity Review - Station Visits	An Asset Inventory list be developed and maintained for Aberdare Station.	03-04-17	03-04-17	Williams, Nigel	Due completion end of October.	31-10-17
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.	30-03-14	30-06-17	Lloyd, Christopher	24-10-2017 - Endpoint protection now rolled out to all devices which will automatically hold and scan removable media. Solution for allowing USB access to thin clients being investigated as part of next phase.	31-01-18

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	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.	31-12-17	31-12-17	Lloyd, Christopher	24-10-2107 - Legal Department now outlined marking scheme required, work being carried out with email scanning provider to implement solution.	31-12-17
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.	01-01-14	30-06-17	Lloyd, Christopher	24-10-2017 - Upgrade complete, this change will be made alongside document marking work and Domain Based Message Authentication, Reporting and Conformant (DMARC) implementation.	31-12-17
Follow Up Review	Anti-fraud Cyber Crime 2013/14 - A Forensic Readiness Procedure be documented detailing the processes to be followed in the event of a suspected or actual network security incident.	31-03-16	30-04-17	Smith, Darren	27-10-2017 - Discussed at the Security Risk Group (SRG) (05.09.17) action is on Dave Crews/Jackie Evans - Update as follows: Ongoing. Still awaiting input from a number of departments but meetings have been arranged to take place over the next couple of weeks.	31-12-17

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 ICT Security Management Controls	<p>A full annual asset reconciliation or a rolling programme of reconciliations that ensure that all areas are reconciled at least annually be implemented once the ICT asset database has been brought up to date.</p> <p>This replaced previous action.</p>	05-12-16	30-06-17	Smith, Darren	<p>27-10-2017 - Implementation of new ICT Service Desk and Asset Management Software underway *(separate project) with transfer of existing asset data being transferred to new system. Continuation of Waste Electrical and Electronic Equipment (WEEE) disposals of redundant equipment is ongoing (latest batch of disposal Oct 17 undertaken). Asset details will be checked as part of rollout of new Service Desk Systems with physical audit of anomalies planned and resourced - it is estimated that this will take place during November 2017.</p>	31-12-17

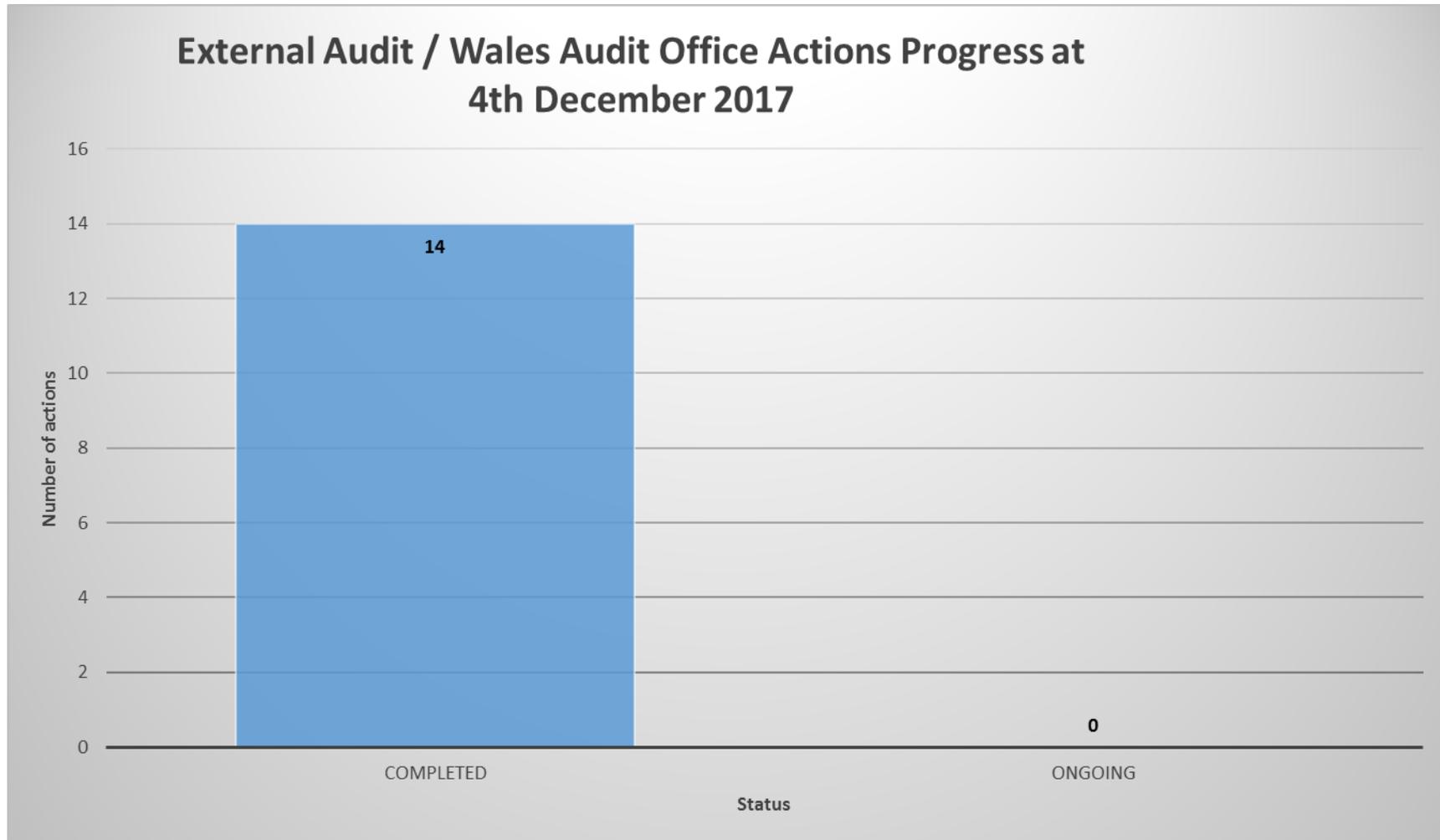
(ii) Internal Audit Actions snapshot of progress by category



(iii) External Audit/Wales Audit Office Actions Report

(iii) All External Audit/Wales Audit Office actions have been completed.

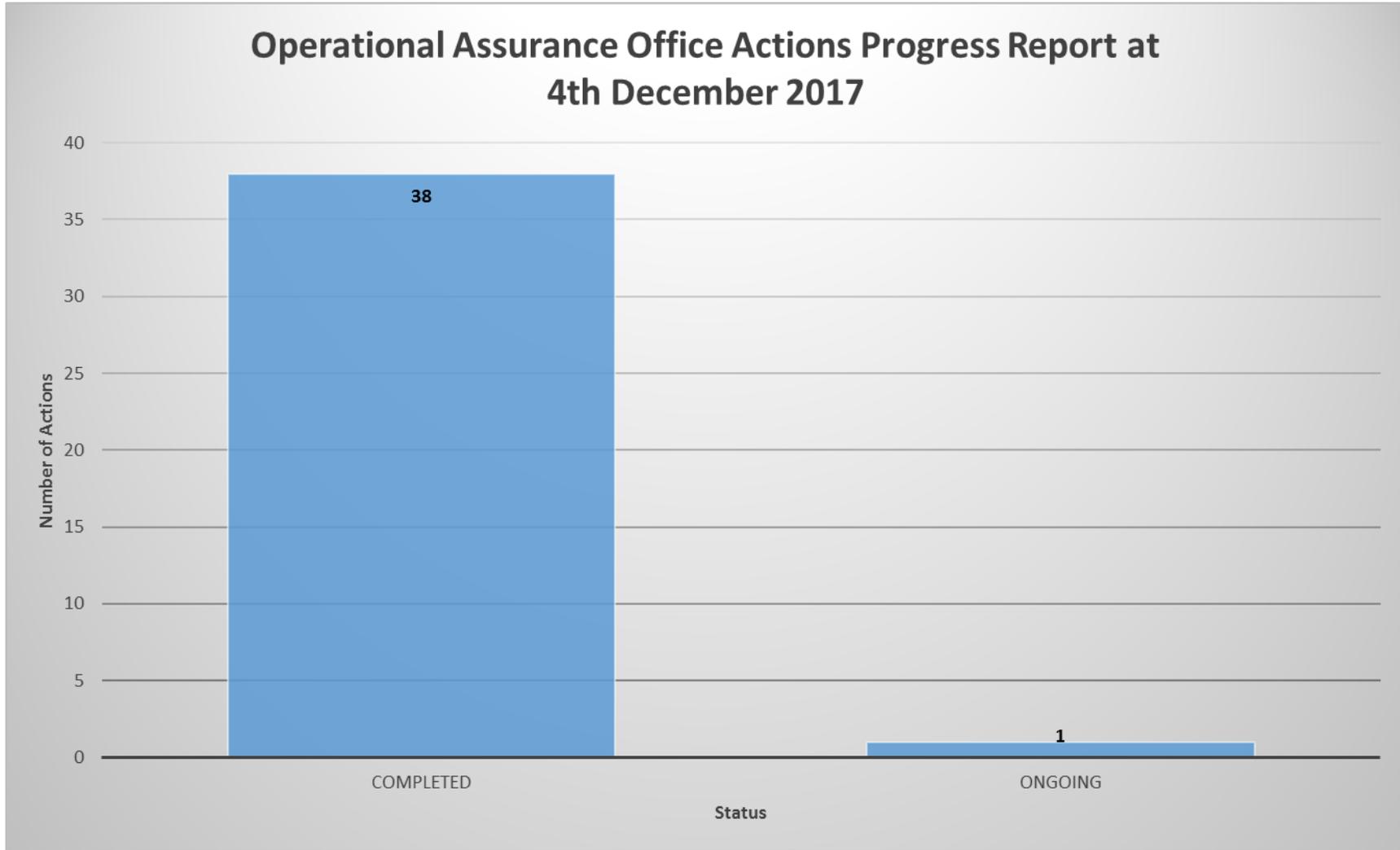
External Audit/Wales Audit Office Actions snapshot of progress



(iv) 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 the allocation of Legislative Fire Safety resources following the introduction of the new MIS in line with the revised picture of risk.	01-03-13	30-04-17	Kibblewhite, Alison	Oct 2017 - Good progress over the last quarter with AM Steve Taylor West Midlands FRS (WMFRS) overseeing the project. A project plan and timeline has been developed and shared. Monthly video conference meetings are booked in. Good progress on the development of the Risk Identification Data Gathering Engine (RIDGE) system. A demo model is due to be completed shortly. Partnership funding has been released for 17-18 to continue to develop the system. Workbooks are being aligned to the (RIDGE) at the same time.	31-08-18

(v) Operational Assurance Peer assessment actions snapshot of progress

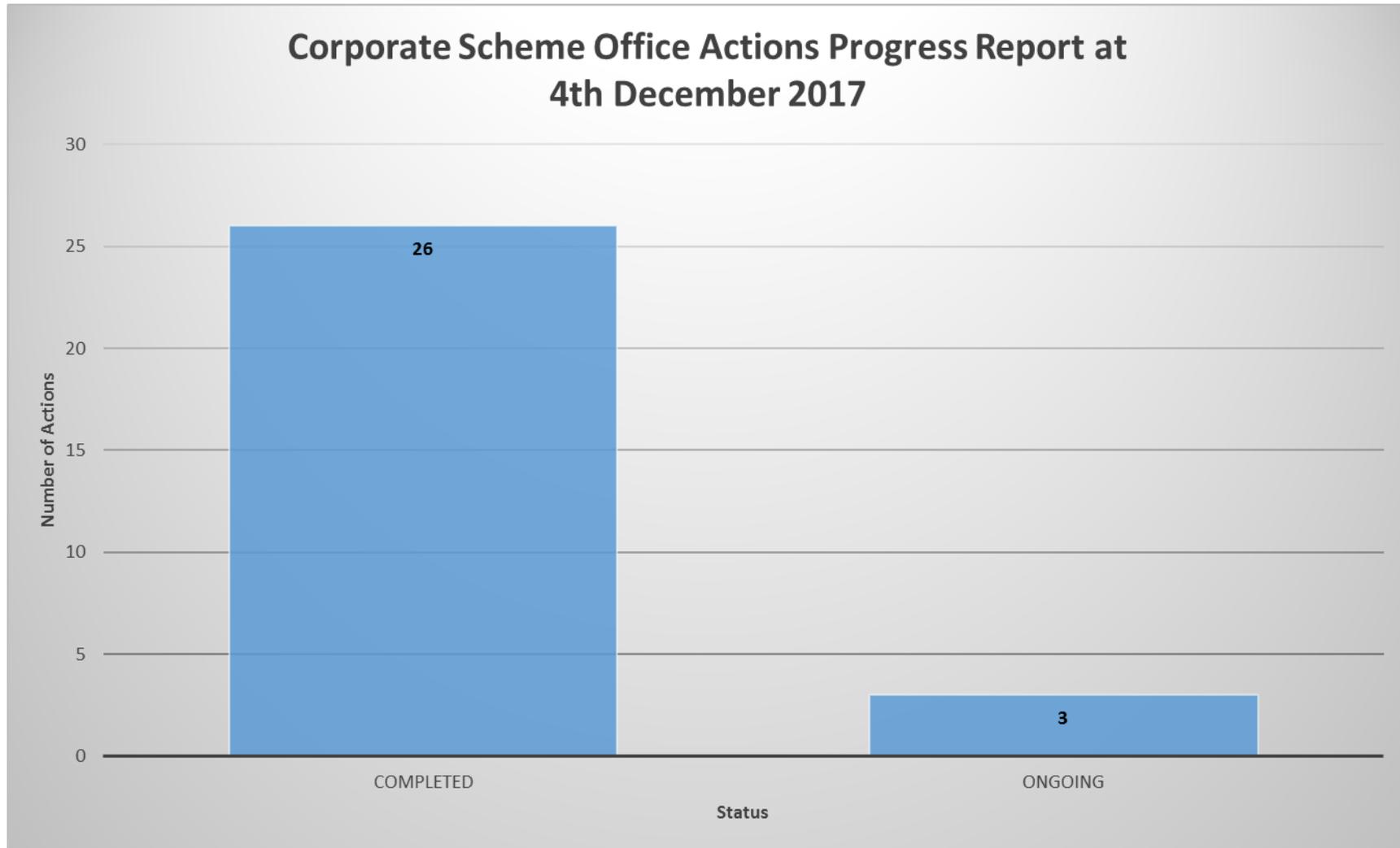


(vi) Corporate Scheme Actions Report

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.	01-09-12	30-03-20	Wood, Carey	<p>23-10-17 'Unconscious Bias' has been uploaded for staff, returns on mandatory Inclusive Workplace e-learning was very low, the momentum gathered by last year's "Together" campaign seems to have slowed/stalled but this could be due to the post moving and post holder changing.</p> <p>The lack of completed action as noted in previous review is a concern and will be looked at to see if any improvement when assembling data for the 2016/17 review.</p> <p>The Service has entered Stonewall's workplace index again, and the Diversity Officer provided an Equality and Diversity presentation to Hampshire FRS. Also, the all Wales FRS meetings continue, and internal consultation and advice provision has risen this year (which is a very good thing).</p> <p>Media are commissioning a series of videos including one to showcase diversity, and a meeting with Engagement, Transformation and Performance manager is set to take place in order to assess and set out equality guidelines for media and communications.</p> <p>Advice and active participation has been provided for the Consultation and Engagement Group (CEG) meetings, new website project, on-call fire-fighters project, to name a few.</p> <p>The new allies programme will be launched early in new year, along with the completely new Equality Risk Assessment (ERA) form and system as this incorporates the Wellbeing of Future Generations (WBFG) goals. In light of the recent reports on Essex and Avon FRS, coupled with CFOA's strategic commitment to Equality and Diversity and the National Joint Council (NJC) drive for more work on FRSs being inclusive workplaces, a composite plan has been drafted as a map for forward work and improvements to the equality agenda.</p>	30-03-20

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 - Estate Management Strategy 2016-2017	A defined process for updating asset and property condition survey data in light of maintenance, compliance reviews and other activities be established.	03-04-17	25-05-18	Corrigan, Nick	25-10-17 A process is in place but I need to define it in writing.	25-05-18
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.	31-03-12	31-03-17	Williams, Chris	24-10-2017 - Project delayed due to lack of resources. Due to be restarted in the last quarter of 2017.	31-03-18

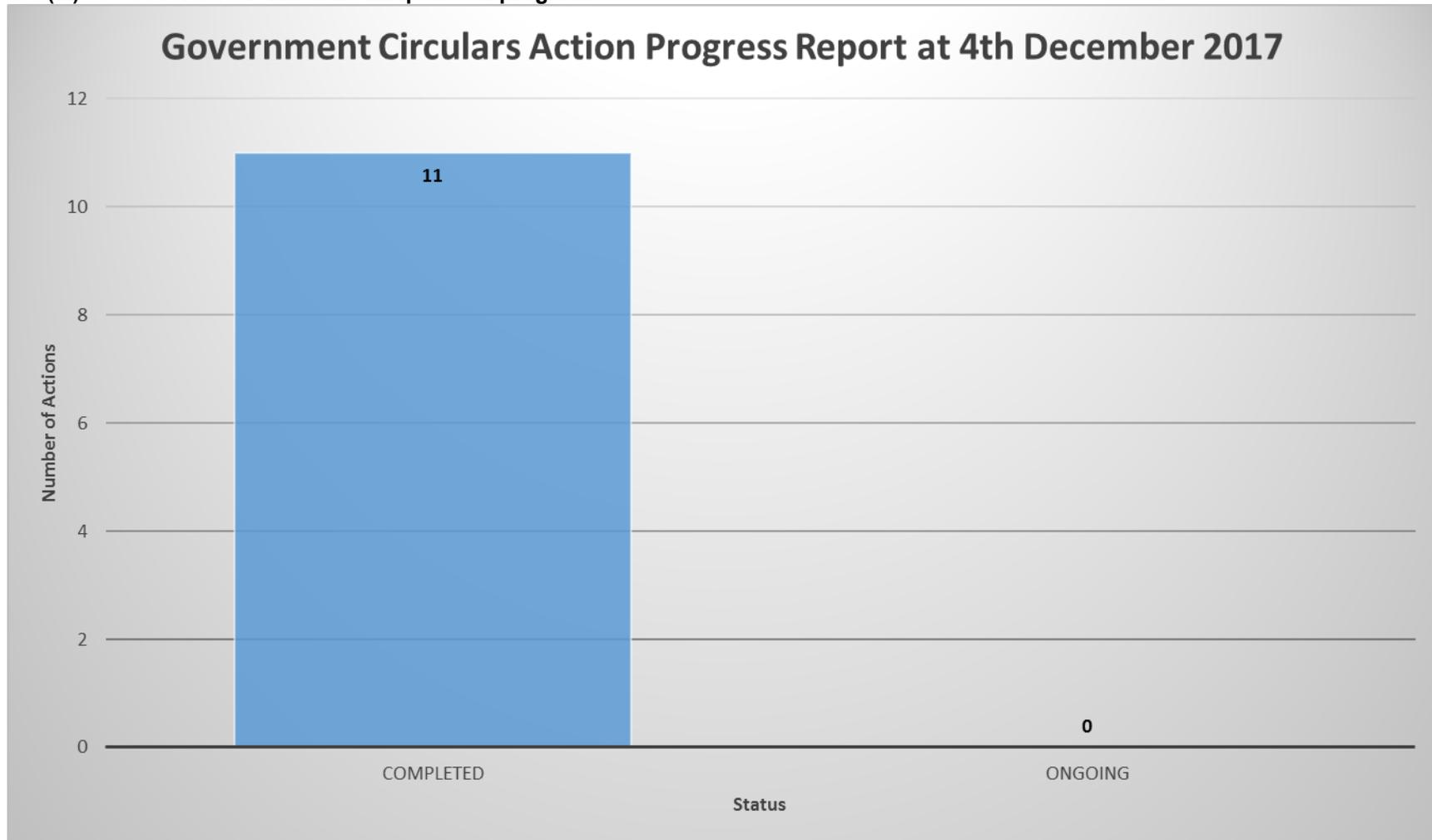
(vii) Corporate Scheme Actions snapshot of progress



(viii) Government Circulars Action Report

All Government circular actions have been completed.

(ix) Government Circulars Snapshot of progress



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

AGENDA ITEM NO 11
4 DECEMBER 2017

AUDIT OF FINANCIAL STATEMENTS REPORT - RECOMMENDATIONS

SUMMARY

The statutory ISA260 report the final statement of accounts and the letter of representation required by the auditor were approved by the Fire and Rescue Authority on 25th September 2017. On 27 September 2017 the Auditor General for Wales certified the Fire Authority's 2016-17 financial statements. This audit report is an addendum to Financial Statements Report presented to the Fire Authority on 25 September 2017. The addendum report covers the audit recommendations for both the 2015-16 and 2016-17 financial years.

RECOMMENDATIONS

That Members receive the addendum report and note the progress made against the recommendations.

1. BACKGROUND

- 1.1 The Treasurer to the South Wales Fire & Rescue Authority is responsible for the preparation of financial statements that give a true and fair view of its financial position as at 31 March each year and its income and expenditure in the year then ended.
- 1.2 The Statement of Accounts for 2016/17 were presented to this committee on 11th September and approved by the Fire and Rescue Authority on 25th September 2017. The Auditor General gave an unqualified audit opinion on the accounting statements and Firefighter Pension Fund Account on 30th September 2017.

2. ISSUE

- 2.1 The Wales Audit Office presented their statutory ISA260 report on behalf of the Auditor General, outlining their findings and recommendations to this committee in September.
- 2.2 The report highlighted that improvements had been made since the previous financial year where 24 recommendations were made and for the 2016/17 there were 14 recommendations made.
- 2.3 Whilst it was generally accepted that there was good progress being made in preparing the financial statements, members requested a further

report from the Auditors detailing the progress against the recommendation from 2015/16 and comparing the 2016/17 recommendations.

- 2.4 The attached Auditors report provides the details of the recommendations and management responses arising from the 2016/17 financial audit and also provides the 2015/16 recommendations with a summary of action taken by management since last year.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising directly from this report.

4. RECOMMENDATIONS

- 4.1 That Members receive the addendum report and note the progress made against the recommendations.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Statement of Accounts 2016-17 ISA 260 report 2016/17 ISA 260 report 2015/16



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Appendix 1

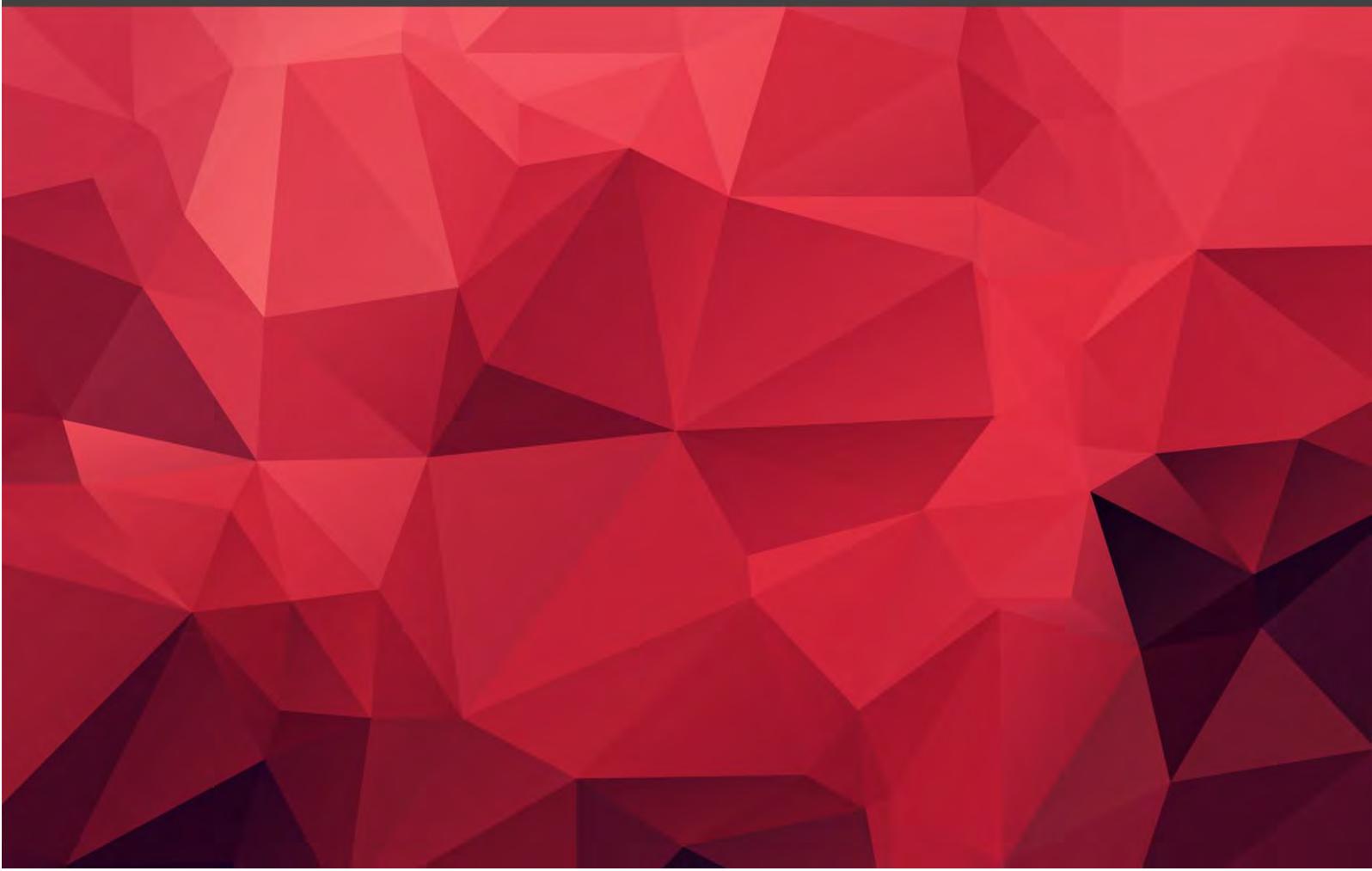
Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report addendum – Recommendations - **South Wales Fire and Rescue Authority**

Audit year: 2016-17

Date issued: November 2017

Document reference: **500A2017**



Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

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

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Summary Report

- 1 This report is an addendum to my Audit of the Financial Statements Report that was presented to members of the South Wales Fire and Rescue Authority (the Authority) on 25 September 2017.

Introduction

- 2 It is the Authority's responsibility to:
 - put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
 - maintain proper accounting records;
 - prepare a Statement of Accounts in accordance with relevant requirements; and
 - establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 3 The Public Audit (Wales) Act 2004 requires me to:
 - provide an audit opinion on the accounting statements;
 - review the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
 - issue a certificate confirming that I have completed the audit of the accounts.
- 4 Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on the International Financial Reporting Standards. On 27 September 2017, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Authority's and the Fire Fighters' Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts.
- 5 The key matters arising from the accounts audit were reported to members of the Authority in my Audit of Financial Statements Report on 25 September 2017.

Recommendations arising from our 2015-16 financial audit work

- 6 We raised a number of important issues in our Audit of Financial Statements Report for 2015-16, with 24 recommendations for improvement, all of which were accepted by officers. The Authority has made good progress in implementing the recommendations, but further work is required in some key areas, relating to the quality of the draft financial statements, audit trails and supporting documentation.
- 7 We set out all the recommendations arising from our 2015-16 audit work with a summary of action taken by management during 2016-17, see [Appendix 1](#).

Recommendations arising from our 2016-17 financial audit work

- 8 In my Audit of Financial Statements Report I set out that I would present a separate report with details of the recommendations arising from our financial audit work. Fourteen recommendations are set out below with management's response to them:

Exhibit 1: Matter arising 1

Matter arising 1 – The draft accounts had not been subject to sufficient quality review	
Findings	Overall, the financial statements provided for audit included many simple errors that should have been avoided. They included totals that did not cast, inconsistencies within the financial statements, incorrect note references, comparatives incorrectly headed up as restated and various typographical errors. These errors should have been picked up from a robust review of the financial statements by management. There is also scope to streamline the information and disclosures contained in the financial statements.
Recommendation	R1 The Authority should undertake a robust quality assurance review of the draft financial statements before they are submitted for audit. R2 The Authority should streamline the information and disclosures contained in the financial statements, to ensure it is relevant and material.
Accepted in full by management	Yes
Management response	A project has been initiated to implement the CIPFA Closedown software also known as the Big Red Button. The software contains various validity checks and processes of quality assurance to improve accuracy and reduce errors such as rounding and casting. The Treasurer and Head of Finance will undertake quality reviews of the document prior to and post completion.
Implementation date	2017/18 Year end close down process

Exhibit 2: Matter arising 2

Matter arising 2 – Some accounting practices and disclosures did not comply with the Code of Practice and other relevant guidance	
Findings	<p>Some of the Authority's disclosures did not comply with the Code of Practice and other relevant guidance, for example:</p> <ul style="list-style-type: none"> • Senior Officer Remuneration disclosures initially incorrectly included essential car user allowances in both salary and expenditure totals, with salary arrears being included, excluded, and then correctly included again in subsequent drafts of the financial statements. • The pay ratio calculation did not take into account all relevant remuneration, including additional contracts, benefits in kind and acting up allowances into account. Regulation 9 of the Accounts and Audit (Wales) Regulations 2014 states that: 'remuneration means all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (if taxable), and the estimated money value of any other benefits received by an employee otherwise than in cash'. Therefore these payments should be included in the calculation. • Some additional contributions from members have been incorrectly netted off expenditure in the Fire Fighter Pension Fund account (£136,000). • Debtors and creditors were overstated in relation to a cost relating to 2017-18 (£128,000). • Depreciation charged to the cost of services was understated (£850,000). • The treatment of the Fire Fighters' Pension Fund top up grant is not fully in accordance with the Code of Practice.
Recommendation	<p>R3 The Authority should ensure that all transactions and balances are accounted for correctly, and that all disclosure requirements are complied with.</p> <p>R4 The Authority should ensure that the top-up grant received from the Welsh Government in respect of the Fire Fighters' Pension Fund is treated in the Authority's financial statements in accordance with the Code of Practice.</p>
Accepted in full by management	Yes

Matter arising 2 – Some accounting practices and disclosures did not comply with the Code of Practice and other relevant guidance	
Management response	Procedure Notes have been added to the year-end closure working papers and timetable to remove the errors included above. Disclosure checklists and compliance with the Code of Practice will be part of the year end routines and included in the aforementioned project.
Implementation date	2017/18 Year end closedown process

Exhibit 3: Matter arising 3

Matter arising 3 – There is scope to improve the audit trail and supporting documentation in some important areas	
Findings	<p>Last year we reported concerns that a large number of manual adjustments had been made outside of the Authority's ledger and trial balance, with no analysis and explanation of them. Improvements have been made in the current year with adjustments processed in the ledger. However, the draft financial statements were prepared using a preliminary trial balance, which did not contain all adjustments, albeit they were processed after the preparation of the draft financial statements and during the audit. We also experienced difficulties in agreeing the Authority's financial statements to the trial balance due to the audit trail being, in our view, unnecessarily complex and unclear.</p> <p>Additionally, we identified that working papers were not readily available to demonstrate that 2015-16 closing balances had been correctly carried forward into 2016-17 and that these balances agree to the audited 2015-16 balance sheet. The working paper which was subsequently provided did not include a reconciliation of the balances to the 2015-16 accounts.</p>
Recommendation	<p>R5 The Authority should ensure that a trial balance containing all adjustments is available at the start of the audit. The Authority should also provide a clear audit trail between entries in the financial statements and the trial balance.</p> <p>R6 The Authority should ensure that the opening balances working papers contain a reconciliation back to the 2015-16 accounts.</p>
Accepted in full by management	Yes

Matter arising 3 – There is scope to improve the audit trail and supporting documentation in some important areas	
Management response	The processes included in the closedown software ensure full mapping of all trial balance and balance sheet codes to the financial statements, it also includes full tracking of adjustments through the year-end period. Opening balances will be identified within working papers which will be provided to the Audit team at the commencement of the audit process.
Implementation date	2017/18 year-end closedown process

Exhibit 4: Matter arising 4

Matter arising 4 – Accounting records to support property, plant and equipment require improvement in some areas	
Findings	<p>The Authority has made good progress in improving the accounting records to support property, plant and equipment, but there is scope for further improvement in some areas:</p> <ul style="list-style-type: none"> • Assets under construction are not recorded in an asset register. • Three properties which had been disposed of in previous years were nonetheless still included in the property asset register, offset by compensating negative entries in the register to ensure no net impact. • A record of the depreciated historical cost of assets is not readily available, making it difficult to confirm the accuracy of the revaluation reserve transactions and balances. • Last year we recommended that at the next valuation the Authority should request the valuer to estimate the useful lives of buildings. (Note that valuation was not due in 2016-17. Therefore, we have carried this recommendation forward.)
Recommendation	<p>R7 The Authority should regularly update its asset registers so that they show the correct information for all asset categories.</p> <p>R8 The Authority should prepare an analysis of depreciated historical cost by asset, to support the revaluation reserve movements and balances.</p> <p>R9 With regard to the next valuation the Authority should request the valuer to estimate the useful lives of buildings.</p>
Accepted in full by management	Yes

Matter arising 4 – Accounting records to support property, plant and equipment require improvement in some areas

Management response	Improvement will continue to be made to the asset registers and historical data entries. The request will be included at the next valuation date.
Implementation date	2017/18 in preparation for year-end.

Exhibit 5: Matter arising 5

Matter arising 5 – Related Party disclosure processes should be strengthened

Findings	<p>Our audit of related party disclosures identified that improvements should be made to the declaration process followed. We found:</p> <ul style="list-style-type: none"> • three instances where additional disclosures were made on the declarations but not included in the working papers; • four forms were not returned, with an e-mail from each of the required respondents stating 'nil return' being received instead; and • two instances where information disclosed by a member was not legible, but was not clarified with the member(s). <p>For 2016-17 the above findings did not result in changes being made to the disclosures, but strengthening the process will avoid potential omissions in future years.</p>
Recommendation	R10 The Authority should ensure all required members/officers/budget holders return a completed form and that all disclosures made on the declarations are fully checked and included on the working papers.
Accepted in full by management	Yes
Management response	Every effort will be made to ensure a full return and detail included of disclosures from members, officers and budget holders. If no return is made this will be disclosed in the working paper and relevant notes to the accounts.
Implementation date	2017/18 year-end closedown process

Exhibit 6: Matter arising 6

Matter arising 6 – Sufficient audit evidence for fire fighter pension payments was not always available, and Month 12 transactions related to the following financial year	
Findings	<p>Our audit of pensions expenditure identified the following:</p> <ul style="list-style-type: none"> • Benefits payable accounted for in the 2016-17 accounts actually related to 1 May 2016 to 30 April 2017 instead of 1 April 2016 to 31 March 2017, as is required under the Code of Practice. Whilst the material transactions relating to the correction of this mistreatment have been adjusted in the accounts, the impact on the IAS19 pension disclosures have not been corrected (£1,568,000). • For one pension paid to a fire fighter's widow, no supporting records were available. • For another pension paid to a retired fire fighter, an unsigned note was available in a paper file but the origin and date of this note was not recorded on the file. • A number of very minor differences between the amounts paid to pensioners and the recalculated payments completed by auditors. There was no common reason for these differences.
Recommendation	<p>R11 The Authority should liaise with the actuary to ensure their calculations of the IAS 19 pension liability take account of the correct pension payments in 2017-18.</p> <p>R12 The Authority should satisfy itself that sufficient evidence is available for each pension payment and that pension payments have been calculated accurately.</p>
Accepted in full by management	Yes
Management response	The actuary will be made aware of the necessary adjustments to include in their calculations for the 2017/18 figures. Work is ongoing to improve the accuracy and checks undertaken by the pension administrators on behalf of the Authority.
Implementation date	2017/18 in preparation for year-end.

Exhibit 7: Matter arising 7

Matter arising 7 – The Joint Collaboration Project agreement remains unsigned	
Findings	The Authority is working with Mid & West Wales Fire and Rescue Authority and South Wales Police to deliver the Joint Public Service Centre project. The Authority has incurred cumulative costs of £336,000 on the project's new 'command and control' system. Mid & West Wales Fire and Rescue Authority has contributed £168,000 towards these costs, and the Authority has classified their share of the costs as an intangible asset. However, and as reported last year, there is no signed collaboration agreement in place. The only collaboration agreement with the two partner organisations is still only a 'working draft' that has gaps and inaccuracies and is therefore unsigned. This absence of an agreement again makes it difficult for us to determine the appropriate accounting treatment.
Recommendation	R13 The Authority should update the collaboration agreement to provide clarity on the ownership of assets, and ensure this agreement is finalised on a timely basis. This will enable the Authority to correctly account for all related transactions and balances in the 2017-18 financial statements.
Accepted in full by management	Yes
Management response	Several amendments to the collaboration agreement have been made in recent weeks and the project is going live in October 2017. The agreement is due to be signed in November 2017.
Implementation date	November 2017

Exhibit 8: Matter arising 8

Matter arising 8 – Information Technology (IT) improvement areas	
Findings	Last year we identified a number of potential issues with the Authority's IT infrastructure and network controls and made a number of recommendations for improvement. Whilst some progress has been made over the last year, some actions remain outstanding.
Recommendation	R14 The Authority should strengthen its IT infrastructure and network controls by: <ul style="list-style-type: none"> • replacing the remaining Windows Server 2003 machines and the Windows XP machines used; • implementing the updated IT change control procedure; • updating the IT Disaster Recovery plans and testing these plans fully annually; • using Intrusion Detection Software to help identify potential suspicious network activity; • reviewing the numbers of IT department staff with IT domain admin access to ensure these are all required; and • setting password complexity on for network passwords.
Accepted in full by management	Yes
Management response	A detailed action plan is in place to address each of the recommendations noted above.
Implementation date	See detailed action plan.

Exhibit 9: Matter arising 9

Matter arising 9 – There is a need to plan for the revised accounts preparation, audit and publication timetable that is to be introduced in 2018-19	
Findings	Based on current working practices there is currently a clear risk that the Authority will fail to meet the revised timetables for 2018-19. For 2018-19 the Authority will have to present its draft accounts to us by 31 May 2019, with audit certification required by 31 July 2019.
Recommendation	R15 The Authority should develop a comprehensive project plan to identify the key tasks and interdependencies of the accounts preparation and audit process, and to set out the improvements needed to bring the timetable forward. Elements of engagement with the audit team also require strengthening.
Accepted in full by management	Yes
Management response	A project has been initiated to implement the CIPFA closedown software. This will lead to significant changes and improvements in the drafting of the statement of accounts. Further work will be undertaken throughout the 2017/18 closedown to identify areas which require streamlining, including areas of soft close and where estimates will be required. A post-audit meeting has been arranged with the Audit team to try and improve the procedures and timescales from both sides, with faster closure being the key consideration.
Implementation date	2018/19

Appendix 1

Recommendations arising from our 2015-16 financial audit work

We raised a number of important issues in our Audit of Financial Statements Report for 2015-16, with 24 recommendations for improvement, all of which were accepted by officers. The Authority has made good progress in implementing the recommendations, but further work is required in some key areas:

- twelve recommendations have been fully implemented;
- six recommendations have been partially implemented;
- five recommendations have not yet been implemented; and
- one recommendation is not yet due for implementation.

Exhibit 10 – recommendations arising from 2015-16 financial audit work

Recommendation	Management and Audit Response
<p>R1 The Authority should revise its asset register so that it includes all relevant information, which fully meets the needs of the accounting policies in place and enables the preparation and audit of the annual financial statements.</p> <p>R2 The Authority should implement a robust process so that the Finance Team is routinely notified of all equipment-asset disposals.</p> <p>R3 The Authority should review its asset-life classifications to ensure they remain appropriate.</p>	<p>Management Response</p> <p>A significant amount of work has been invested by the Finance Team in drafting a detailed equipment register in order to meet audit requirements. It is acknowledged that the biggest challenge in maintaining accurate records will be the recording of equipment disposals and relocation. Reasons for disposal most usually relate to obsolescence, with particular regard to ICT equipment which represents the largest element of equipment. In consideration of the above, departmental lists are being drafted in preparation for periodic circulation and cross referencing to existing asset registers, in addition to amendments to the disposal process for notification to the Finance Team.</p> <p>Audit Response</p> <p>Improvements have been made with regards to the asset register. The detailed equipment register was available for audit this year and the equipment-asset disposal recording process has been strengthened. However, there is scope for further improvement in some areas (see Matter arising 4).</p>

Recommendation	Management and Audit Response
<p>R4 The Authority should record all balances and transactions in the financial ledger on a timely basis, to support the preparation of the ledger's trial balance and financial statements.</p> <p>R5 If, in rare and exceptional circumstances, the Authority judges that a manual adjustment is required, the Authority should ensure that it clearly records and explains the adjustment; and that thereafter it is processed through the financial ledger as soon as is practicable and ideally prior to audit.</p>	<p>Management Response All accounting transactions are recorded in the financial ledger following the audit process. The majority of transactions are already contained in the financial ledger at the drafting stage of the closure process, although a record of amendments to the extracted TB is also maintained to ensure a complete and balanced set of accounts. Effort will be invested to ensure more entries are processed prior to the final TB being extracted in addition to a more detailed log of remaining adjustments for the benefit of the audit team.</p> <p>Audit Response This recommendation was partly addressed as the trial balance presented to audit contained all accounting transactions, but the draft accounts were prepared using a preliminary trial balance, which did not contain all adjustments, and the audit trail between entries in the financial statements and the trial balance was difficult to follow (see Matter arising 3).</p>
<p>R6 For complex or unusual transactions and balances, the Authority should review the Code of Practice and other relevant guidance to ensure that the appropriate accounting treatment is adopted.</p> <p>R7 & R8 The Authority should complete the Code of Practice Disclosure Checklist to ensure transactions, balances and disclosures are accurate and complete.</p>	<p>Management Response It is acknowledged that more time should be devoted to understanding the finer points of the code, in addition to better anticipating unusual transactions at year-end. The annual checklist will be completed at each year-end.</p> <p>Audit Response We identified that the disclosure checklist was completed for the 2016-17 audit. However, some disclosures were still not in line with the Code (see Matter arising 2).</p>
<p>R9 The Authority should undertake a robust quality assurance review of the draft financial statements.</p> <p>R10 The Authority should streamline the information and disclosures contained in the financial statements.</p>	<p>Management Response A Q&A process will be scheduled into the year-end timetable in addition to a more thorough review in advance of the end of the financial year.</p> <p>Audit Response We do not believe that a robust quality assurance review of the draft financial statements was carried out in 2016-17, and there remains scope to streamline the information included (see Matter arising 1).</p>

Recommendation	Management and Audit Response
<p>R11 The Authority should reconcile entries in the asset register to the ledger and financial statements.</p>	<p>Management Response More detailed asset registers have been drafted and will be reconciled as advised.</p> <p>Audit Response More detailed asset registers were provided. However, the registers did not fully reconcile to the ledger and the financial statements and further improvements therefore need to be made (see Matter arising 4).</p>
<p>R12 The Authority should update the collaboration agreement to provide clarity on the ownership of assets, and ensure this agreement is finalised on a timely basis.</p> <p>R13 The Authority should ensure that all transactions and balances in the 2016-17 financial statements are accounted for in accordance with the signed collaboration agreement.</p>	<p>Management Response The Authority is fully committed to agreeing a collaboration agreement to provide clarity on the joint asset position.</p> <p>Audit Response The collaboration agreement remains unsigned. Therefore, this recommendation has not been addressed (see Matter arising 7).</p>
<p>R14 The Authority should ensure that all intangible assets are properly accounted for and disclosed.</p>	<p>Management Response This change has been reflected in the coding structure and the budgeting process to ensure the detail is captured and can be effectively reflected in the books of account.</p> <p>Audit Response We have confirmed that intangible assets are now properly accounted for and disclosed.</p>
<p>R15 The Authority should ensure that top up grant received from the Welsh Government in respect of the Fire Fighters' Pension Fund is treated in the Authority's accounts in accordance with the Code of Practice.</p>	<p>Management Response The code will be referenced in detail to achieve this.</p> <p>Audit Response The top-up grant is not treated in accordance with the Code of Practice. Therefore, this recommendation has not been addressed (see Matter arising 2).</p>

Recommendation	Management and Audit Response
<p>R16 The Authority should review its methodology for claiming top-up grant from the Welsh Government to ensure any amounts due are claimed on a timely basis.</p>	<p>Management Response</p> <p>The basis of the claim to Welsh Government has reflected a mutually agreed methodology going back to a change in the funding of Fire Pensions in 2006. The cash flow impact on the Authority at 31 March 2016 was substantially greater than in earlier years and it prompted a discussion between Finance staff and the Welsh Government about a change to the methodology to avoid this situation being repeated. A substantial payment was made by Welsh Government to temporarily address the situation.</p> <p>The conclusion and recommendations arising from this audit have confirmed the need for this revised approach and the Authority will liaise with Welsh Government to ensure that the methodology for future claims reflects the full reimbursement of costs at the relevant year-end.</p> <p>Audit Response</p> <p>From our discussions with Officers, we are content that the Authority has updated its calculations to ensure that the drawdown request is appropriate. However, given that the next drawdown request was submitted after our audit fieldwork, the actual amount reclaimed will be reviewed as part of the 2017-18 audit.</p>
<p>R17 The Authority should ensure that the charge for depreciation is based on the estimated life of the asset.</p>	<p>Management Response</p> <p>This will be addressed in future accounting periods.</p> <p>Audit Response</p> <p>This was addressed for 2016-17.</p>
<p>R18 The Authority should ensure that the audit fee estimate for a particular year is charged as expenditure in that year.</p>	<p>Management Response</p> <p>This will be resolved prior to 2016/17 closure.</p> <p>Audit Response</p> <p>The accrual for the audit fee estimate was calculated incorrectly in the draft accounts, albeit the under accrual was trivial.</p>
<p>R19 The Authority should remove the words 'with which the South Wales Fire Authority deals' from the related parties return.</p> <p>R20 The Authority should review the Register of Interests entries to help to ensure the declarations and disclosures are accurate and complete.</p>	<p>Management Response</p> <p>The wording will be changed on returns and the register of interests cross referenced.</p> <p>Audit Response</p> <p>The wording of the return was amended for the 2016-17 audit and the Register of Interests was used in preparing the disclosure. However, we believe that further improvements can be made in this area (see Matter arising 5).</p>

Recommendation	Management and Audit Response
<p>R21 The Authority should ensure that all retirement benefits paid are recognised in the correct financial year.</p>	<p>Management Response A reconciliation process is undertaken on a periodic basis between the retirement list and the pension fund, although more attention at the year-end cut-off point is required.</p> <p>Audit Response Our audit work did not identify anything to suggest retirement benefits were not recognised in the correct year, although a new issue has been raised this year in relation to the Month 12 pension payments (see Matter arising 6).</p>
<p>R22 The Authority should compare records maintained by the property department to ensure the asset register remains accurate and complete.</p>	<p>Management Response This will be undertaken in preparation for the 2016-17 closure process.</p> <p>Audit Response Our audit work confirmed that the asset register was compared to the Property Department's records in preparation for 2016-17 closure. However, we believe that improvements could still be made with regards to property, plant and equipment (see Matter arising 4).</p>
<p>R23 At the next valuation, the Authority should request the valuer to estimate the useful lives of buildings.</p>	<p>Management Response This will be requested in the next valuation of land and property.</p> <p>Audit Response The next valuation was not due in 2016-17. Recommendation carried forward (see Matter arising 4).</p>

Recommendation	Management and Audit Response
<p>R24 The Authority should strengthen its IT infrastructure and network controls by:</p> <ul style="list-style-type: none"> • replacing the Windows Server 2003 machines and the Windows XP machines used; • updating the IT change control procedure so it is based on an ITIL model; • updating the IT DR plans and testing these plans fully annually; • using Intrusion Detection Software to help identify potential suspicious network activity; • reviewing the numbers of IT department staff with IT domain admin access to ensure these are all required; • completing a load test on the diesel back-up generator on a periodic basis; and • setting password complexity for network passwords. 	<p>Management Response</p> <p>A number of actions to address the IT recommendations identified are planned:</p> <ul style="list-style-type: none"> • review the legacy servers used by the end of December 2016 to either replace these IT systems or ensure they are contained in a controlled environment; • replace all Windows XP machines by 31 March 2017; • update the change control procedures as part of the new ICT Service Desk implemented by the end of 2017; • update IT disaster recovery plans by 31 March 2017; • review the use of Intrusion Detection Software in the 2017-18 ICT business plan; • review the IT domain administration access granted in 2016-17; • test the generator under full load conditions in November 2016 and then every six months; and • review the password complexity set as part of the upgrade in 2017 to Windows 2012 R2 Active Directory.
	<p>Audit Response</p> <p>Although some progress has been made, many of the recommendations have not yet been implemented (see Matter arising 8):</p> <ul style="list-style-type: none"> • Replacing machines – the Authority has replaced Windows Server 2003 machines as part of the ongoing ICT infrastructure project. There are ten Windows Server 2003 remaining that are planned to be replaced by the end of 2017 with the move to the new Fire Command and Control system. The Authority has replaced Windows XP computers as part of the ICT infrastructure project. There are approximately 100 Windows XP machines left. These are planned to be replaced by the end of 2017 with the move to the new Fire Command and Control system and early 2018 with roll-out of the new Hydra Minerva training simulation software.

Recommendation	Management and Audit Response
	<ul style="list-style-type: none"> • Change control procedure – the Authority has drafted an ITIL based change control procedure and this will be implemented as part of the new ‘house on the hill’ ICT service desk system. The new IT service is planned to be implemented in September 2017. • Disaster recovery plans – the Authority is planning to rewrite the IT Disaster Recovery plan in 2018 after the ICT infrastructure replacement project has been completed, along with the move to the new joint Command and Control system at Bridgend Police headquarters in Autumn 2017. • Intrusion detection software – the Authority is planning to review the use of Intrusion Detection Software and this has been included in the ICT Business plan for 2017-18. • Number of staff with access rights – the Authority is planning to review ICT Domain Administration access during early 2018 following completion of the ICT Infrastructure replacement project. • Load test on back-up generator – the Authority has completed unplanned load tests in March and May 2017 following a mains power failure. The back-up generator was tested and able to take the full load power requirements. • Password complexity – the Authority is planning to implement Active Directory on Windows 2012 by the end of 2017 as part of the IT infrastructure replacement project. Password complexity is being reviewed as part of this upgrade. With the implementation of the new IT service desk system in September 2017, a user self-service password reset tool is being set up.

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SOUTH WALES FIRE & RESCUE AUTHORITY
FINANCE AUDIT & PERFORMANCE
MANAGEMENT COMMITTEE

AGENDA ITEM NO 12
4 DECEMBER 2017

REPORT OF THE DEPUTY CHIEF OFFICER & TREASURER

WALES AUDIT OFFICE ANNUAL AUDIT LETTER 2016/17

SUMMARY

This report summarises the Wales Audit Office Annual Audit Letter 2016/17 and concludes that the Authority has complied with its responsibilities relating to financial reporting and use of resources and that the Auditor General is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

RECOMMENDATIONS

That Members accept the Wales Audit Office Annual Audit Letter 2016/17 for the Authority.

1. BACKGROUND

1.1 As Members will be aware under the Public Audit (Wales) Act 2004 and the Code of Audit Practice, the Auditor General must report each year on how the Authority has complied with its responsibilities relating to financial reporting and use of resources, and whether he is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

2. THE ANNUAL AUDIT LETTER

2.1 The Annual Audit Letter (attached at Appendix 1) provides an assessment of the Wales Audit Office work and conclusions on a wide variety of issues that they have reviewed as a result of this process. The letter itself is very brief, and is largely based upon the content of the Statement of Accounts and Audit of Financial Statements report that Members considered in detail at their December Fire & Rescue Authority meeting.

2.2 This report is not intended to repeat all of the conclusions of the ISA 260 report or the Annual Audit Letter. The Letter highlights that the audit team found a number of issues that required additional work for 2016/17.

2.3 The Auditor General confirms that he provided an unqualified audit opinion on the Authority's 2016/17 financial statements, confirming that they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. Furthermore, the Auditor

General concludes the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

- 2.4 Within the Annual Audit Letter this year, the Auditor General does raise the issue of an increased fee for this year's audit as a consequence of increased work described above. The additional costs of £3,711 are not substantial, especially in comparison to 2015/16 and reflect the improvements made which were highlighted in the Audit recommendations report earlier on the agenda.

3. RECOMMENDATION

That Members accept the Wales Audit Office Annual Audit Letter 2016/17 for the Authority.

Contact Officer:	Background Papers:
Sally Chapman Deputy Chief Officer	Wales Audit Office Annual Audit Letter 2016/17



WALES AUDIT OFFICE
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Please contact us in Welsh or English.
Cysylltwch â ni'n Gymraeg neu'n Saesneg.

Councillor D T Davies
Chair of the South Wales Fire and Rescue Authority
Forest View Business Park
Llantrisant
CF72 8LX

Reference: 273A2017-18

Date issued: November 2017

Dear Councillor Davies

Annual Audit Letter – South Wales Fire and Rescue Authority 2016-17

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Authority complied with its responsibilities relating to financial reporting and use of resources

It is the Authority's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

On 27 September 2017 I issued an unqualified audit opinion on the 2016-17 accounting statements confirming they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to the members of the Fire Authority on 25 September through my *Audit of Financial Statements Report*¹. The most important audit matters were:

- A significant number of errors in the financial statements and their compliance with the CIPFA Code of Practice.
- The lack of a clear audit trail and supporting documentation in key areas such as the year-end financial ledger and pension payments.
- The Fire Fighter Pension Fund accounted for pension payments relating to May 2016-April 2017 in the 2016-17 accounting statements, instead of those relating to April 2016-March 2017. As a result, there were unadjusted misstatements in the accounting statements. However, these did not impact on the audit opinion.

I issued a certificate confirming that the audit of the accounts has been completed on 27 September 2017.

I am satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Authority's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

As a result of the issues identified during the audit and reported to the Authority on 25 September 2017, we had to carry out some additional work. These issues centred on the quality of the accounting statements and the supporting records.

¹ <http://www.southwales-fire.gov.uk/English/aboutus/FA/Documents/2017-09-25%20Agenda%20No%206.iii%20-%20Appendix%201%20-%20ISA260%20-%20SWFRA%20Audit%20of%20Financial%20Statements%20Report%20FINAL.pdf>

Consequently, fees of £3,711 will be charged in addition to the fee estimate of £57,022 set out in the 2017 Audit Plan. The fee estimate for 2017-18 will be set within the fee-scale parameters for the fire and rescue authorities, which are to be set out in the Wales Audit Office's published *Fee Scheme 2018-19*.

Yours sincerely

A handwritten signature in blue ink, consisting of the initials 'MJ' followed by a horizontal line.

Mark Jones

For and on behalf of the Auditor General for Wales

- cc. Huw Jakeway, Chief Fire Officer
Sally Chapman, Deputy Chief Officer
Chris Barton, Treasurer and Section 151 Officer

SOUTH WALES FIRE & RESCUE AUTHORITY
FINANCE AUDIT & PERFORMANCE
MANAGEMENT COMMITTEE

AGENDA ITEM NO 13
 4 DECEMBER 2017

REPORT OF THE DEPUTY CHIEF OFFICER & THE INTERNAL AUDITORS

INTERNAL AUDIT REPORT

SUMMARY

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

RECOMMENDATION

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

1. BACKGROUND

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

2. ISSUE

- 2.1 The areas of internal audit reviews within the Annual Plan were completed with **3** final reports being issued. The areas covered are:-

- **ICT – Cyber Security,**
- **Governance – Strategic Planning**
- **Anti-Fraud Arrangements**

The Summary Internal Audit Progress Report written by TIAA Limited is attached as Appendix 1.

2.2 ICT – Cyber Security

2.2.1 The review considered the security management arrangements for the pro-active identification, prioritising, and mitigating against cyber-crime risks. The scope of the review includes policies, procedures, and risk management activities in place for the key elements of the CESG framework, including Information Risk Management Regime, Secure Configuration, and Network Security

2.2.2 The audit received a reasonable level of assurance with three recommendations, two important, and one routine.

2.3 Governance – Strategic Planning

2.3.1 The review considered the arrangements by which the Authority and the Service's Senior Management Team ensure that the corporate plans for the organisation remain achievable in times of economic uncertainty.

2.3.2 A substantial level of assurance was given for this audit with no recommendations for improvement made.

2.4 Anti-Fraud Arrangements

2.4.1 The review considered the robustness of the organisation's Anti-Fraud policy and associated policies in providing mitigation against fraud and/or the impact of fraud.

2.4.2 This audit received a reasonable level of assurance with 11 recommendations:- 4 important, 5 routine, and 2 areas of operational effectiveness identified.

3 EQUALITY RISK ASSESSMENT

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

4 RECOMMENDATION

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

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Appendix 1 – ICT – Cyber Security Appendix 2 – Governance – Strategic Planning Appendix 3 – Anti-Fraud Arrangements Appendix 4 – Summary Internal Audit Progress Road



South Wales Fire and Rescue Service

ICT Review of ICT – Cyber Security

2017/18

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>OVERALL CONCLUSION</p> <ul style="list-style-type: none"> • The Service undertakes limited active scanning of its ICT networks. • The Service does not have an effective log management solution in place. • The Information Security Management System will need to be updated to incorporate the requirements of the European Union General Data Protection Regulation or its UK equivalent. 								
<p>RATIONALE AND SCOPE</p> <p>Rationale ICT review included in each year of the plan. IT systems underpin the operations of the Service.</p> <p>Scope The review considered the security management arrangements for the pro-active identification, prioritising and mitigating against cyber-crime risks. The scope of the review includes policies, procedures and risk management activities in place for the key elements of the CESG framework, including:</p> <ul style="list-style-type: none"> • Information Risk Management Regime • Secure configuration • Network security 	<p>ACTION POINTS</p> <table border="1" data-bbox="1205 885 2042 1045"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>2</td> <td>1</td> <td>0</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	2	1	0
Urgent	Important	Routine	Operational						
0	2	1	0						

- Managing user privileges
- User education and awareness
- Incident management
- Malware prevention
- Monitoring
- Removable media controls
- Home and mobile working.

The scope of the review did not include detailed testing of the robustness of internal controls, or assess whether there is evidence of possible fraudulent actions.

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	The Service undertakes little pro-active network scanning at present although consideration is being given to both intrusion prevention (IPS) and intrusion detection (IDS) solutions at present. The CISCO Firepower IDS solution is currently being evaluated.	Intrusion prevention and intrusion detection solutions be implemented at the earliest opportunity.	2	<i>CISCO Firepower IDS solution is currently being evaluated.</i>	31/03/2018	<i>ICT Communications Team Leader</i>
3	Operational	The Service does not have a documented comprehensive Log Management Strategy in place that includes the use of log management tools and a central log server	A comprehensive log management strategy be implemented that includes the use of a central log server and the use of log management tools.	2	<i>This is currently managed by exception, and therefore not comprehensive but will be included as part of ICT Business Plans 2018/19.</i>	31/03/2019	<i>ICT Infrastructure Team Leader</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.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The Service in common with all UK organisations is required to fully comply with the requirements of the European Union General Data Protection Regulation (EU GDPR) by 25th May 2018 and the Information Security Management System will need to be reviewed and updated to ensure full compliance with either EU GDPR or the UK equivalent legislation, especially in the areas of Data Protection, Freedom of Information, Information Sharing and Disclosure and CCTV Images and Recordings.	The relevant areas of the Information Security Management System be updated to ensure compliance with the requirements of EU GDPR and the equivalent UK legislation by the 25th May 2018 compliance deadline.	3	ICT will work with SWFRS Information Governance & Compliance Officer to update relevant ISMS to ensure compliance with requirements of EU GDPR.	25/05/2018	ICT Service 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.

Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
There were no Operational Effectiveness Matters identified during this review.			



South Wales Fire and Rescue Service

Assurance Review of the Governance – Strategic Planning

2017/18

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p>	<p>OVERALL CONCLUSION</p> <p>The five-year rolling Strategic Plan for 2017-2022 sets out SWFRS’s vision and strategic aims for which the Chief Fire Officer has ultimate responsibility.</p> <ul style="list-style-type: none"> The vision encompasses five strategic aims each of which have been assigned an owner. Each theme further encompasses those specific actions that need to be achieved to achieve the strategic aim. Evidence of a ‘golden thread’ was sighted between the Strategic Plan aims and team and individual targets. 								
<p>RATIONALE AND SCOPE</p> <p><u>Rationale</u> Key risk area for the Service.</p> <p><u>Scope</u> The review considered the arrangements by which the Board and senior management groups ensure that the corporate plans for the organisation remain achievable in times of economic uncertainty. The scope of the review did not include consideration of the strategic control arrangements or the appropriateness of decisions taken by the Board.</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>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	0	0	0
Urgent	Important	Routine	Operational						
0	0	0	0						

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)
There were no recommendations arising from this review.							

PRIORITY GRADINGS

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

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

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

Operational Effectiveness Matters

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



South Wales Fire and Rescue Service

Appraisal Review of Risk Management – Anti-Fraud Arrangements

2017/18

Executive Summary

<p>OVERALL APPRAISAL ASSESSMENT</p>	<p>OVERALL CONCLUSION</p> <p>The Service has adequate anti-fraud arrangements in place.</p> <ul style="list-style-type: none"> ● The OP-05.002 - Action to be taken in the Event of Fraud Discovery or Suspicion of Fraud document needs to be reviewed. ● A formal Fraud Register needs to be developed. ● The OP-05.003 Public Interest Disclosure Procedure (Whistleblowing) needs to be reviewed. ● The Code of Corporate Governance is out of date and needs to be reviewed and updated or removed from existence. 								
<p>RATIONALE AND SCOPE</p> <p>Rationale Key risk area for the Service.</p> <p>Scope The review considered the robustness of the organisation’s Anti-Fraud policy and associated policies in providing mitigation against fraud and/or the impact of fraud. The scope of the review does not include providing assurance that all instances of fraud have been detected by the organisation.</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>0</td> <td>4</td> <td>5</td> <td>2</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	4	5	2
Urgent	Important	Routine	Operational						
0	4	5	2						

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	The Action to be taken in the Event of Fraud Discovery or Suspicion of Fraud document, OP-05.002, was last reviewed in June 2014. The document is currently overdue a review. The Head of Finance and Procurement stated that the review has been delayed pending the outcome of this internal audit review.	The Action to be taken in the Event of Fraud Discovery or Suspicion of Fraud document be reviewed as planned and be required to contain the points suggested in the body of the report.	2	<i>The review was due in September 2017. It has been delayed to accommodate recommendations falling out of this audit report. The document will now be reviewed to incorporate improvements suggested in paragraph 11.1.</i>	31/01/18	Head of Finance & Procurement

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.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Operational	There is currently no formal Fraud Register set up. It is good governance to develop a Fraud Register and to present that Register to every Finance, Audit and Performance Committee even if there are no incidents or changes since it was last presented.	A formal Fraud Register be developed and be presented to every Finance, Audit and Performance Committee even if there are no incidents or changes since it was last presented.	2	<i>A decision will be taken by the FAPM Committee on the frequency of a register being presented. Following this a fraud register will be developed to include detail recorded in the fraud log.</i>	31/12/17	Head of Finance & Procurement
4	Operational	The OP-05.003 Public Interest Disclosure Procedure (Whistleblowing) was last reviewed in June 2014 and is now overdue for review. The Head of Finance and Procurement stated that the review has been delayed pending the outcome of this internal audit review.	The OP-05.003 Public Interest Disclosure Procedure (Whistleblowing) be reviewed and updated as planned.	2	<i>The review was due in September 2017. It has been delayed to accommodate recommendations falling out of this audit report. The document will now be reviewed and include improvements suggested in paragraph 11.12.</i>	31/01/18	Head of Finance & Procurement

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.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Operational	The Service has a Code of Corporate Governance which is set out under the principles and reflects the requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy). Whilst the Code is not dated, it is thought to be at least six years old and is well overdue a review as it refers to old policies such as the Anti-Fraud and Corruption Policy and the organisation's old Core Values.	The Code of Corporate Governance be reviewed and updated to reflect current arrangements or if it is now obsolete this be removed from the Documents within the fire Authority.	2	<i>This document is now obsolete and will be withdrawn.</i>	30/11/17	Head of Business Support

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.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Operational	There is an assumption that the Head of Finance or the Treasurer is the designated officer responsible for money laundering monitoring, although this is not formerly documented.	The formal designation of a Money Laundering Reporting Officer for the Service be included in the next review of the Financial Procedures.	3	<i>The next review of the Financial Regulation procedures will include designation of the Treasurer/deputy treasury as the Money Laundering Reporting Officer.</i>	30/04/18	Head of Finance & Procurement
5	Operational	There is no mechanism available on the organisation's website for members of the public to access and report any concerns under the Public Interest Disclosure Procedure.	The revised Public Interest Disclosure Procedure (Whistleblowing) be made available for the general public on the organisation's website to access and obtain the process to report any concerns.	3	<i>Significant redeveloped of the Service website is currently being undertaken by an external agency. Links to the Public Interest Disclosure Procedure will be included with other relevant documents published by the Finance Department.</i>	31/05/18	Head of Finance & Procurement
7	Operational	A review of the Gifts and	All gifts and hospitality be	3	<i>The Gifts and Hospitality</i>	31/12/17	Head of

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.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		Hospitality Register revealed only 12 entries dating back 2012 with no entries to date with the last entry in March 2017. It appears that only the accepted entries are being declared and recorded which contravenes paragraph 14.2 of the Code of Conduct for Officers which forms part of the General Standing Orders. It is best practice to record all offers of gifts and hospitality as this can help make the process open and transparent and avoids accusations of distortion. It can also assist an organisation in being aware of the pressures staff can face and where they are likely to arise.	recorded in the Gifts and Hospitality Register whether accepted or declined in accordance with the General Standing Orders and this be noted in the next review of the OP-05.006 Hospitality and Gifts Policy.		<i>register will be updated to include accepted and declined offers.</i>		<i>Business Support</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.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
8	Operational	The Gifts and Hospitality register is not presented to the Finance, Audit and Performance Committee for inspection in accordance with good governance.	The Gifts and Hospitality Register be presented regularly to the Finance, Audit and Performance Committee meeting for inspection in accordance with good governance and this be recorded in the minutes.	3	<i>This will be presented to the FAPM committee at intervals to be agreed.</i>	31/12/17	Head of Business Support
9	Operational	It was noted that there has been no review of the incident to identify lessons learnt to ensure internal controls are in place and operating effectively to ensure this does not occur again and that actions taken were correct.	A de-briefing of all frauds identified as a lessons learnt exercise be undertaken to satisfy management that internal controls are in place and operating effectively to prevent any further occurrence and that actions taken were appropriate to uphold the Services culture to fraud.	3	<i>A structured debrief to be included as part of the fraud response plan for Senior Managers of the Service.</i>	Ongoing – to be undertaken in the event of Fraud	Head of Finance & Procurement

PRIORITY GRADINGS

1

URGENT

Fundamental control issue on which action should be taken immediately.

2

IMPORTANT

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

3

ROUTINE

Control issue on which action should be taken.

Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Operational	When reviewing the Action to be taken in the Event of Fraud Discovery or Suspicion of Fraud document, consideration be given to changing the title to a more generic title such as Counter Fraud Policy and Procedure or Anti-Fraud Policy and Procedure.	<i>The document will be retitled as part of the review being undertaken in January.</i>
2	Operational	Consideration be given to looking into further training for certain individuals on counter fraud to increase knowledge and skills to identify and investigate fraud effectively.	<i>Appropriate training will be sourced with relevant officers identified prior to a business case for funding from the training department being developed.</i>



South Wales Fire and Rescue Service

Summary Internal Controls Assurance (SICA) Report 2017/18

INTRODUCTION

1. This summary report provides the Audit Committee with an update on the progress of our work at South Wales Fire and Rescue Service as at 8th November 2017.

PROGRESS AGAINST THE 2017/18 ANNUAL PLAN

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

INTERNAL CONTROL FRAMEWORK

3. The key strategic governance, risk management and control matters identified from the reviews completed for the year to date are summarised in figure 1 below. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

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

Review	High level
Governance – Performance Management	<p>It was found that all figures had been calculated in line with the guidance provided by the Welsh Government. The figures calculated were arithmetically correct, reported accurately on the submission and appropriate supporting documentation had been retained to confirm where the information had been obtained for the seven statutory performance indicators and for a sample of three sector indicators.</p> <ul style="list-style-type: none"> • The submission to the Welsh Government had been provided in accordance with the required deadline.
HR Management – Absence Management	<p>The review identified that comprehensive arrangements are in place for monitoring, reviewing and ensuring compliance with the absence management procedures through appropriate governance and reporting arrangements and maintenance and analysis of absence data and trends, and managing individual absences by line managers.</p> <ul style="list-style-type: none"> • Some minor inclusions to the Welfare and Attendance Monitoring procedure are recommended to ensure all current practice is reflected in the document.
Governance – Strategic Planning	<p>The five-year rolling Strategic Plan for 2017-2022 sets out SWFRS's vision and strategic aims for</p>

Review	High level
	<p>which the Chief Fire Officer has ultimate responsibility.</p> <ul style="list-style-type: none"> • The vision encompasses five strategic aims each of which have been assigned an owner. Each theme further encompass those specific actions that need to be achieved to achieve the strategic aim. • Evidence of a ‘golden thread’ was sighted between the Strategic Plan aims and team and individual targets.
Station Visits	<p>The review highlighted a number of areas of non-compliance which included the following:</p> <ul style="list-style-type: none"> • Routine testing of the fire safety fire alarms, firefighting equipment and emergency lighting not being undertaken in a timely manner; • Periodic checks of the first aid kits were not being undertaken; • The Redkite Equipment Management System database not being used appropriately by firefighters; • The Environmental Control Unit (ECU) van provided to Pencoed station did not have a first aid kit on the vehicle. <p>The stations visited were Pontypridd Fire Station, Abertillery Fire Station and Pencoed RDS station</p>
ICT – Cyber Security	<ul style="list-style-type: none"> • The Service undertakes limited active scanning of its ICT networks. • The Service does not have an effective log management solution in place. • Updates required in accordance with the European Union General Data Protection Regulations.
Risk Management – Anti-Fraud	<p>The Service has adequate anti-fraud arrangements in place.</p> <ul style="list-style-type: none"> • The internal audit review identified that some anti-fraud documents were either out of date or were in need of review. These included the OP-05.002 – Action to be taken in the Event of Fraud Discovery or Suspicion of Fraud document and the Code of Corporate Governance. • A formal Fraud Register needs to be developed.

EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED ISSUES

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

AUDITS COMPLETED SINCE THE LAST REPORT TO COMMITTEE

5. The table below details of audits completed for 2017/18 since the previous Finance, Audit and Performance Management meeting.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
Governance – Performance Management	Substantial	25/07/2017	22/08/2017	22/08/2017	-	-	-	1
Absence Management	Substantial	26/07/2017	22/08/2017	22/08/2017	-	-	1	2
Governance – Strategic Planning	Substantial	30/08/2017	24/10/2017	27/10/2017	-	-	-	-
Station Visits	Not applicable	18/08/2017	24/08/2017	24/08/2017	-	7	1	-
ICT – Cyber Security	Reasonable	04/09/2017	23/10/2017	25/10/2017	-	2	1	-
Risk Management – Anti-Fraud	Reasonable	24/10/2017	02/11/2017	06/11/2017	-	4	5	2

CHANGES TO THE ANNUAL PLAN 2017/18

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

FRAUDS/IRREGULARITIES

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

LIAISON

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

PROGRESS ACTIONING PRIORITY 1 RECOMMENDATIONS

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

OTHER MATTERS

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

RESPONSIBILITY/DISCLAIMER

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

Progress against the Annual Plan for 2017/18

System	Planned Quarter	Days	Revised Quarter	Current Status	Comments
Governance – Performance Management	1	6	2	Final report issued	
ICT – Cyber Security	1	5	2	Final report issued	
HR Management – Absence Management	1	6	2	Final report issued	
Station Visits	2	4	2	Final report issued	
Governance – Strategic Planning	2	6	2	Final report issued	
Risk Management – Anti-Fraud	3	6	3	Final report issued	
Joint Control Centre	3	6	3		Planned start date 4 th December 2017
Fleet Management - Fuel	3/4	6	3		Planned start date 18 th December 2017
Key Financial Controls	4	6	4		Planned start date 3 rd January 2018
Contract Management	4	6	4		Planned start date 3 rd January 2018
Follow up	4	3	4		Planned start date 1 st February 2018
2017/18 Annual Plan	1	1	1	Final report issued	
Strategic Plan	1	1	1	Final report issued	

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

KEY:

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

Briefings on Developments in Governance, Risk and Control

Summary of Recent Client Briefing Notes (CBNs)

TIAA produce regular briefing notes to summarise new developments in Governance, Risk, Control and Counter Fraud which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs issued in the last three months which may be of relevance to South Wales Fire and Rescue Service is given below. Copies of any CBNs are available on request from your local TIAA team.

Date Issued	CBN Ref	Subject	Status	TIAA Comments
27/10/2017	CBN-17033	Does the thought of a “Bad Rabbit” malware infection make you “Wannacry”?	For Action	Clients are advised to ensure their IT departments are aware of this issue, and enforce the urgency of cyber security. The risks associated with malware should be included on appropriate risk registers, and regularly reviewed to ensure the mitigation measures are kept refreshed.
19/10/2017	CBN-17032	All - Identification of Counterfeit Banknotes	For Possible Action	Cash handling staff should be provided with guidance on how to recognise counterfeit notes. Counterfeit notes are worthless. If you suspect a note is counterfeit, take it to the police as soon as possible.
18/10/2017	CBN-17031	Information Commissioner’s Office (ICO) Guidance on Unauthorised Accessing of Patient Records	For Possible Action	Audit Committees and Boards/Governing Bodies are advised to ensure that their data protection policies and training are appropriately worded so the rules are clear in this regard.

Date Issued	CBN Ref	Subject	Status	TIAA Comments
27/09/2017	CBN-17030	All - National Housing Federation - Home from Hospital: How Housing Services are relieving pressure on the NHS	For Possible Action	Audit Committees and Boards/Governing Bodies across Housing and the NHS are advised to consider the NHF Report, and whether the scale and scope of the local housing offer can be developed through joined up collaborative planning and partnering to extend and increase the support offered to help people out of hospital.
19/09/2017	CBN-17029	All - COSO Enterprise Risk Management Update	For Information	Audit Committees and Boards/Governing Bodies are advised to note the updated Enterprise Risk Management publication issued by COSO when reviewing their risk management policy and procedures.
19/09/2017	CBN-17028	All - NAO Guidance on Cyber Security and Information Risk	For Possible Action	Audit Committees are advised to note the new guidance, and to review their understanding and coverage of cyber security and information risks.
14/09/2017	CBN-17027	Public Sector - Government may fine Organisations up to £18m (or 4% Turnover) for Failing to Adopt Cybersecurity Measures	For Possible Action	Audit Committees and Boards/Governing Bodies are recommended to seek assurance that their IT provisions include clearly defined, effective and managed cybersecurity measures. In readiness for the new directive organisations should ascertain whether the arrangements in place demonstrate appropriate measures if a cybersecurity incident occurs.

Date Issued	CBN Ref	Subject	Status	TIAA Comments
06/09/2017	CBN-17026	All - The Need to Embed Cyber Security within Procurement	For Action	<p>Audit Committees and Boards/Governing Bodies are advised to confirm whether procurement processes reflect an ongoing commitment to keep IT systems safe and secure.</p> <p>Weak IT system security and unpatched systems should be recognised as a corporate risk, as any data breach could result in significant reputational damage plus a fine up to £500,000 under the Data Protection Act (increasing up to €20M or 4% turnover when the new General Data Protection Regulations come into force in May 2018.)</p>
11/08/2017	CBN-17025	All - Understanding Secure E-mail	For Information	<p>Members of Audit Committee and Boards/Governing Bodies are advised to review the contents of the guide, and note the key principles relating to the transmission of data by e-mail.</p>
11/08/2017	CBN-17024	All - Changes to Data Protection Legislation	For Action	<p>Boards and Audit Committees are advised to note the implications of the guidance and changes, and review their assurance and controls over implementation of action plans to achieve demonstrable compliance with the new GDPR.</p>

Date Issued	CBN Ref	Subject	Status	TIAA Comments
11/08/2017	CBN-17023	All - Cyber Security – National Cyber Security Centre (NCSC) Launches Web Check for Public Sector sites	For Possible Action	Audit Committees are advised to note the NCSC 'Web Check' has gone live for public sector sites. Where organisations have concerns over their current arrangements, they may wish to consider commissioning assurance work to ensure they have identified any risk or control gaps and have workable solutions.

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

AGENDA ITEM NO 14
4 DECEMBER 2017

**WALES AUDIT OFFICE REVIEW OF ASSET MANAGEMENT ARRANGEMENTS
2016/17**

SUMMARY

This report concludes the Wales Audit Office review of the Authority's asset management arrangements in relation to 2016/17 and makes suggestions where it believes that the Authority can make improvements for 2017/18.

RECOMMENDATION

That Members accept the Wales Audit Office Asset Management Arrangements report 2016/17.

1. BACKGROUND

- 1.1 As Members will be aware under the Local Government (Wales) Measure 2009, the Auditor General must report each year on how the Authority manages its land and building assets so that they are fit for operational purpose. This report is the culmination of that work and sets out the progress the Authority has made since the last annual report using the Authority's own self assessment as a baseline. Members will note the Well-being of Future Generations (Wales) Act 2015 came in to effect for named public bodies, including fire and rescue authorities, in April 2016. The Act defines sustainable development as the process of improving the economic, social, environmental and cultural wellbeing of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the well-being goals. The Act requires public bodies to carry out sustainable development by setting and publishing wellbeing objectives, taking steps to meet those objectives in accordance with the sustainable development principle, and reporting annually on their progress.

2. THE REPORT

- 2.1 The report (attached at Appendix 1) provides a detailed assessment of the Wales Audit Office work and conclusions on a wide variety of issues that they have reviewed as a result of this process. The report itself is a very positive report of which the Authority should be proud, as it acknowledges the improvement the Service has made over the last year despite reducing budgets.
- 2.2 It is not intended to repeat all of the conclusions within this report but merely to highlight some of the key findings for Members' attention, the detail of which can be found within the report itself at Appendix 1. In short, the report concludes that the Authority is likely to comply with its statutory duty to secure continuous improvement in 2016/17.

2.3 The Auditor General found that clear and well defined governance arrangements help the Authority to effectively manage its land and building assets so that they are fit for purpose although there is scope to further improve. The Auditor General reached this conclusion because:

- Clear governance arrangements and plans help the Authority to deliver its strategic asset management objectives for land and buildings;
- Buildings are fit for purpose and well maintained and the Service is exploring opportunities to collaborate and co-locate with other emergency services in the future; and
- The Authority regularly evaluates its investment in land and buildings but little comparison is made to measure progress with similar organisations.

2.4 Lower priority issues, known as proposals for improvement, are contained in this report, and these will be monitored during the course of their improvement assessment work:

2.4.1 Strengthen asset managements by:

P1: Agreeing common measures with other Welsh Fire & Rescue Authorities to assess key indicators around land and buildings to enable comparison of performance and aid the identification of developing trends.

P2: Implementing the recommendations made in the internal audit of November 2016 within the set timescales. The recommendations were:

- An action plan needs to be produced to record and enable monitoring of the work of the estates review group; and
- A defined process for updating asset and property condition records is not currently in place.

2.5 As Members will appreciate, the report is very positive and reflects the Authority's own self assessment of its performance to date. This is a credit to staff who continue to deliver an improving service with less resources and stands the Authority in good stead for meeting the future financial challenges it faces in the year ahead.

3. RECOMMENDATION

3.1 That Members accept the Wales Audit Office Asset Management Arrangements report 2016/17.

Contact Officer:	Background Papers:
Sally Chapman Deputy Chief Officer	Wales Audit Office Review of Asset Management Arrangements 2016/17



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

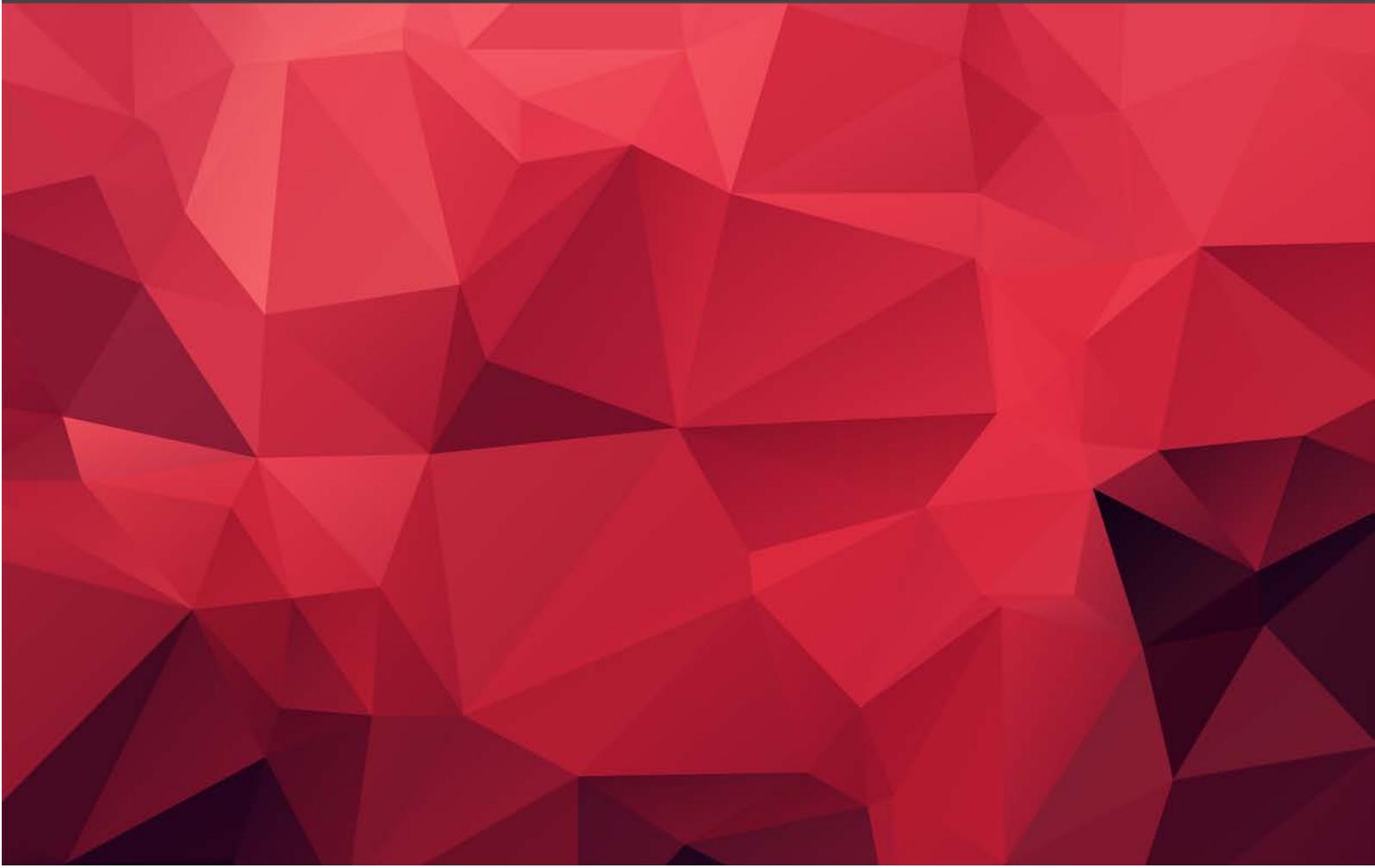
Archwilydd Cyffredinol Cymru
Auditor General for Wales

Review of Asset Management Arrangements – **South Wales Fire and Rescue Service**

Audit year: 2016-17

Date issued: November 2017

Document reference: 114A2017-18



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In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

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disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

The team who delivered the work comprised Ron Price and Andy Bruce under the direction of Jane Holownia.

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Clear and well-defined governance arrangements help the Authority to effectively manage its land and building assets so that they are fit for operational purposes although there is scope to further improve.

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Clear governance arrangements and plans helps the Authority to deliver its strategic asset management objectives for land and buildings	6
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Buildings are fit for purpose and well maintained and the Service is exploring opportunities to collaborate and co-locate with other emergency services in the future	9
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The Authority regularly evaluates its investment in land and buildings but little comparison is made to measure progress with similar organisations	10
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Summary report

Summary

- 1 Effective asset management is a critical success factor in delivering public services in the 21st century. The Welsh public sector spends over £500 million per annum running land and buildings worth some £12 billion. However, many organisations' assets are not keeping pace with changing demands and, as a consequence, do not deliver the best possible value for money. Managing the competing strategic and operational demands of assets can be complex, but effective management can support better service delivery, improve public and staff safety, reduce operating costs and contribute to sustainable development.
- 2 Asset management planning will assist the fire service in targeting resources effectively and investing appropriately to ensure that these assets contribute towards the continuous improvement and sustainability of service delivery.
- 3 The Well-being of Future Generations (Wales) Act 2015 (WFG Act) came in to effect for named public bodies, including fire and rescue authorities, in April 2016. The Act defines sustainable development as the process of improving the economic, social, environmental and cultural wellbeing of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the wellbeing goals. The Act requires public bodies to carry out sustainable development by setting and publishing wellbeing objectives, taking steps to meet those objectives in accordance with the sustainable development principle, and reporting annually on their progress.
- 4 Although we are undertaking this local work to meet the requirements of the Local Government Measure, we will consider some aspects of the WFG Act including the sustainability of land and buildings.
- 5 The purpose of the local review of South Wales Fire and Rescue Authority's (the Authority) asset management arrangements is to provide an independent assessment of progress against the Authority's ambitions for its land and buildings and the robustness of its approach to managing those assets. Our focus of the review was solely on the land and buildings aspect of asset management.
- 6 The review is seeking to answer the following question: **'Do the Authority's asset management arrangements for land and buildings support robust and effective decision making and improvement?'**
- 7 We found that clear and well-defined governance arrangements help the Authority to effectively manage its land and building assets so that they are fit for operational purpose although there is scope to further improve. We reached this conclusion because:
 - clear governance arrangements and plans help the Authority to deliver its strategic asset management objectives for land and buildings;
 - buildings are fit for purpose and well maintained and the Service is exploring opportunities to collaborate and co-locate with other emergency services in the future; and

- the Authority regularly evaluates its investment in land and buildings but little comparison is made to measure progress with similar organisations.

Proposals for improvement

Exhibit 1: Proposals for improvement

The table below sets out the areas for improvement identified through our review.

Proposals for improvement	
Strengthen asset management arrangements by:	
P1	Agreeing common measures with the other Welsh fire and rescue authorities to assess key indicators around land and buildings to enable comparison of performance and the identification of developing trends.
P2	Implementing the recommendations made in the internal audit report of November 2016 within the set timescales. The recommendations were: <ul style="list-style-type: none"> • an action plan needs to be produced to record and enable monitoring of the work of the Estates Project Review Group; and • a defined process for updating asset and property condition records is not currently in place.

Detailed report

Clear and well-defined governance arrangements help the Authority to effectively manage its land and building assets so that they are fit for operational purpose although there is scope to further improve

Clear governance arrangements and plans help the Authority to deliver its strategic asset management objectives for land and buildings

- 8 The Authority has effective asset management arrangements in place. Buildings are fit for purpose, meet operational needs and risk assessments. The Authority takes a long-term view of operational demands and regularly reviews the estate including stock condition, location and resource deployment.
- 9 The South Wales Fire and Rescue Service (the Service) delivers an emergency response, predominantly in respect of fires and road traffic collisions, to the people of South Wales. It covers an area of 2,712 km², which contains a population of around 1.5 million, 500,000 of which live in the cities of Newport and Cardiff. The Service has 50 property assets, comprising 47 fire stations, a headquarters building and two buildings covering training and control room assets. These have an approximate asset value of £66.915 million¹.
- 10 The Authority currently sets out its approach to asset management of its land and buildings in a number of strategic plans and documents. These include:
 - Strategic plan for 2015-2020
 - Annual improvement plan
 - Fire cover reviews
 - Asset management strategy 2017-2021
 - Land and building strategy 2014-2018
 - Property strategy
 - Reports of project steering groups
 - Consideration of other emergency and public service plans
 - Annual Land and building reviews
 - Individual reports on disposal strategies and new development opportunities
- 11 The Authority has a track record of achieving planned modernisation of the buildings it owns and has linked plans for investment to other decisions about location and facilities. Historically the Service did not fully evaluate the location and

¹ Source – Land and buildings review summary 2015-16

type of service it was providing, therefore the estate remained largely unchanged. However, over the past five years the nature of operational capacity and location has been evaluated largely with the Service undertaking a fire cover review, examining on a risk basis, all aspects of operational response. This led to changes of location, with for example, the closure of Porth and Blaina Fire Stations and proposed changes to other parts of the estate. The consideration of operational capacity through the fire cover review, which is a risk based process, has allowed the Authority to move the number of appliances in certain locations and more accurately deploy them at stations where the need is greatest.

- 12 There are some specific challenges to managing the Authority's land and buildings, partly due to the Service being formed by the amalgamation of three smaller fire services during the local government reorganisation in 1996. The Authority subsequently acquired a legacy of properties, which differ in size and facilities with no common design. Consequently, plans for improvement, investment and management of buildings have to be individually tailored. This presents a challenge in terms of cost, availability of suitable contractors and requires intensive knowledge of each facility. The Authority has addressed this issue by establishing project review panels where each building is considered, individual investment and improvement schemes monitored and progress examined in a clear and well documented forum.
- 13 Plans to ensure operational resilience of the estate are set out in the Asset Management Strategy which is annually reviewed. The Service has a clear and detailed understanding of the estate and regularly reviews plans and actions to maintain it. The Asset Management Strategy sets out the key strategic priorities covering land and buildings, but also ICT, fleet, minor assets, plant and equipment, fuel and personal issue equipment.
- 14 During 2015-16, the Authority commissioned a stock condition survey through external consultants. The survey was conducted primarily to inform strategic decision making, rather than to provide data for each building and asset. However, it is sufficiently detailed to enable planned programmes of work to be organised and improvement work to be procured. The Authority has indicated a commitment to refresh the stock condition information every five years.
- 15 Roles and responsibilities for the governance of asset management are clear and understood. The Annual Governance Statement defines the role of the Authority's Finance, Asset and Performance Management working group (FAPM), which is a strategic forum for reviewing, monitoring and challenging the management of the Authority's assets. Our review of minutes, papers, reports and documents provided to the FAPM shows an effective strategic challenge and review process is in place. Each asset stream within the Authority has a dedicated Lead Member with specific responsibility for challenging and evaluating the performance of the Service against its corporate priorities.
- 16 Overall accountability for asset management lies with the Authority's Executive Leadership Team (ELT). Risks are understood and financial delegations and

controls set and established. The ELT holds regular planning days where capital submissions begin the process of decision making around possible future options. The Authority is committed to working in collaboration with other emergency services therefore decisions cannot be taken in isolation from partners when new station developments, existing station modernisation and investment are considered. Additionally, the Authority considers other emergency services estate plans and strategies through quarterly Joint Emergency Services Estates Group meetings.

- 17 In December 2016, Internal Audit presented a report to the Authority which identified and highlighted some issues around record keeping for asset management. The Authority has agreed the report's findings and two specific recommendations were made but have yet to be fully implemented:
- an action plan needs to be produced to record and enable monitoring of the work of the Estates Project Review Group; and
 - a defined process for updating asset and property condition records is not currently in place.
- 18 The Authority is developing its approach to the WFG Act and considers the implications for its operational and strategic direction. Sustainability issues are included in asset management such as taking account of energy efficiency requirements. Due to differences in the age and construction materials used in fire stations, aspects of energy efficiency and sustainability vary across the estate. There are some opportunities, however, to improve existing buildings, such as fitting photovoltaic panels to roofs, which the Authority is considering through its Project Steering Group process. Cost and benefit considerations are taken into account through the decision making process.
- 19 The Authority has devised a priority list of stations and their investment needs. The list provides the property review groups with sufficient information to consider possible replacement, investment or co-location options.
- 20 When new sites for operational activities are procured and developed, some older properties subsequently require disposal. The Authority has been successful in disposing of sites in a timely and efficient manner. For example, the retained duty station at Porth closed in July 2015 and the site was disposed of 11 months later. The Authority takes and considers advice when necessary for the potential resale of surplus land and evaluating new developments. There are currently no surplus assets in the Authority's ownership.

Buildings are fit for purpose and well maintained and the Service is exploring opportunities to collaborate and co-locate with other emergency services in the future

- 21 The Authority's operational buildings are predominantly fire stations. The Authority has focussed on maintaining effective resilience through its strategic planning and delivery of investment, repairs and maintenance. Where it has proved necessary to replace, or substantially modernise fire stations it has done so in a clear and well planned manner.
- 22 Operational capacity has not been hampered or restricted by maintenance issues at fire stations. Headquarters and training facilities form part of the resilience landscape and are well maintained to ensure that they play an appropriate part in the provision of effective service across South Wales.
- 23 Central asset management staff and operational staff closely liaise at fire stations to ensure operational resilience. The arrangement works based on a client and contractor agreement. An individual fire station does not have to deal with repairs itself but reports issues through to a central function and contractors are tasked with meeting the repairs and maintenance needs of the station.
- 24 Modernisation of facilities for health and safety reasons, and the expectations of the workforce have been factors in driving investment plans for the Authority's estate. For example, many fire stations had shared sleeping accommodation, washing and bathing facilities, as the workforce historically was predominately male. However, there are now more female firefighters and it has been necessary to improve standards of accommodation and facilities. The Authority has been successful in working with staff and union representatives to ensure that a planned and phased programme of investment over a number of years is included, fit for purpose and meets the needs of today's firefighters.
- 25 The Authority uses external contractors for the majority of repairs and modernisation of buildings. Procurement procedures are in place with supporting guidance setting the limits and processes for procurement of goods and services. This includes relevant reference to EU procurement requirements.
- 26 Tower structures feature predominantly at all the Authority's fire stations. Towers are used to facilitate local training and particularly around working at height. Towers serve an additional purpose in that they bring teams of firefighters together to work on techniques locally and particularly where Retained Duty System (RDS) crews work, without having to travel to the central training facility to review and evaluate working at height. The age of some towers varies including the construction materials used and the Authority does not have a specific separate strategy for the treatment of towers, but has maintained their condition well, as required, and considers their condition and investment needs regularly.
- 27 The Authority has prioritised and focussed on opportunities to work with other emergency services for a number of years. A senior officer of the Authority chairs a Joint Emergency Service Group, consisting of representatives from the Police,

Ambulance and Welsh Government. This Group was established in 2014, has terms of reference in place and shares strategies and plans between partners.

- 28 The Authority considers the financial benefits of collaboration, however, along with its partners, they recognise the operational and community benefits of co-location. For example, with the support from the Authority, some isolated and more rural fire stations are being used as a community hub.
- 29 A recent example of co-location is at Abertillery Fire Station. This opened in January 2017 as a 'tri-service' hub, with Police, the Ambulance Service and Fire Service located in the same building. Joint funding arrangements are agreed with long-term commitment indicated by all three services. The Joint Emergency Service Group are exploring similar opportunities in other areas of South Wales.
- 30 The Authority displays a willingness and commitment to work with a range of partners to develop reasonable co-location opportunities where practical including potential collaboration projects with HM Coastguard and the St. John's Ambulance service.
- 31 The Authority works in collaboration with the other Welsh fire and rescue authorities. The development of the National Issues Committee (NIC) is a forum supported by all three fire services in Wales, and will identify opportunities and barriers to collaboration through the consideration of commonly agreed work streams. The NIC has identified asset management of land and buildings as a potential work stream, however, the initiative is in an early stage of development.
- 32 The vision and priorities for the Service are set out in the [Welsh Government's National Framework 2016](#). Under the Fire and Rescue Services Act 2004, fire and rescue authorities are required to report every two years on activity against the Framework. Although there is limited specific guidance in the framework about asset management, there is clear guidance about working with partners to improve efficiency. The actions and arrangements in place for asset management and particularly around co-location are compatible with the national framework.

The Authority regularly evaluates its investment in land and buildings but little comparison is made to measure progress against other similar organisations

- 33 The FAPM regularly receives updates on option appraisals when new developments or investments in existing land and buildings are proposed. There are clear decision-making processes for asset management, which must link to the Authority's overall strategic objectives.
- 34 The Authority evaluates its land and buildings on a regular basis. For example, the Authority is considering development opportunities for a new Compartment Fire Behaviours Training facility at its Cardiff Gate site. The options, costs and benefits of the facility were presented to the full Authority, its internal working groups and the FAPM to consider views. The Service currently uses facilities at Llantrisant and Cardiff Airport to undertake this essential training, but the Authority states that the

establishment of a potentially bespoke state-of-the-art facility will provide a more structured and tailored training system with potential for selling the service to other organisations.

- 35 The Authority does not regularly compare the performance of its properties with other organisations, including other fire authorities and does not have an integrated approach to managing and reporting the performance of its property assets. With no comparisons available, the Authority cannot measure its performance in areas such as energy efficiency, or average repair and maintenance costs against others to identify strengths or weaknesses. There are some potential national indicators which could be utilised or, the three Welsh fire and rescue authorities could establish some common indicators suitable for their own use. The Welsh Government has a National Asset Working group which compiles national figures and has established a common set of performance indicators which could assist the Authority to establish baseline information for future investment considerations. The availability of additional comparative data would enable the Authority to demonstrate the effectiveness of its buildings and estate and make investment decisions more robust while providing insight into future priorities.

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

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: Sally Chapman	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by Fire Authority	ACFO SD Contact Officer: Sarah Watkins	
As required	WAO Reports	To advise Members of the conclusions of WAO Reports and to consider the implications for the Service	DCO Contact Officer: Sally Chapman	
11 Sept 2017	Revenue Outturn	To advise on total revenue expenditure for the year against the set revenue budget following the year end and to explain variations	Treasurer/DCO Contact Officer: Geraint Thomas	Completed
11 Sept 2017	Capital Outturn	To advise on total capital expenditure for the year against the set capital budget following the year end and to explain variations	Treasurer/DCO Contact Officer: Geraint Thomas	Completed

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

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

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
		made by WAO in Statement of Accounts Reports	Contact Officer: Geraint Thomas	
29 Jan 2018	Revenue & Capital Budget Setting (if required)	To assist in determining the appropriate revenue & capital budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officer: Chris Barton/ Geraint Thomas	
29 Jan 2018	Health Check of Priority Actions and Q3 progress against the Statutory PI's	To scrutinise the issues in relation to each of the Priority Actions and to review what the Service has planned to do to address each issue in the current financial year and review Q3 progress against each of the statutory PI's	DCO Contact Officer: Sarah Watkins	
29 Jan 2018	Wellbeing Plans	To scrutinise the Wellbeing Plans of constituent PSB's to establish how these impact upon SWFRS and formulate a report with recommendations to the FRA on implications for SWFRS Wellbeing Plan	DCO Contact Officer: Sarah Watkins	
29 Jan 2018	Draft annual report of the work of the FAPM Committee and the discharge of the terms of reference of the Finance, Asset & Performance Management Working Group	To consider the draft report on the annual work of the Committee before its submission to the Fire Authority and to ensure the Authority has efficient use of resources and robust procedures in place to ensure and manage this	Chair of FAPM, Chair of Working Group & DCO Contact Officer: Sally Chapman	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
23 April 2018	Treasury Management Strategy	To seek Member approval of the treasury management policy and strategy for the following financial year	Treasurer Contact Officer: Chris Barton/ Geraint Thomas	
23 April 2018	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
23 April 2018	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
23 April 2018	Internal Audit Programme	To outline the planned internal audit coverage for the financial year and to seek comment and approval	DCO Contact Officer: Sally Chapman/ Geraint Thomas	
23 April 2018	Internal Audit Annual Report	To provide an opinion on the adequacy and effectiveness of risk management, control and governance processes based on the internal audit work undertaken during the financial year. This will support the statement of internal control.	DCO Contact Officer: Sally Chapman/ Geraint Thomas	
23 April 2018	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO Contact Officer: Sarah Watkins	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
23 April 2018	Scrutiny of Strategic Objectives	To scrutinise progress in relation to achieving the actions planned to address each issue	All Directors	
23 April 2018	Corporate (Operational) Risk Register	To seek Members' views upon the Corporate (Operational) Risk Register	DCO Contact Officer: Sarah Watkins	

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

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

AGENDA ITEM NO 16

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

1. Apologies for Absence
2. Declarations of Interest

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

3. Chairman's Announcements
4. To Receive the Minutes of:
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At the close of the meeting Members will meet with the Wales Audit Office and Internal Auditors to discuss Service progress