

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, 14 September 2015 at 10:30 hours

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

AGENDA

1. Apologies for Absence
2. Declarations of Interest

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

3. Chairman's Announcements
4. To Receive the Minutes of:
 - Finance, Asset & Performance Management Working Group held on 13 April 2015 3
 - FAPM Meeting held on 29 June 2015 9
5. Revenue Monitoring Report 2015-16 15
6. Capital Monitoring Report 2015-16 23
7. 2014-15 Annual Treasury Management Review 31

8.	Scrutiny of Strategic Objectives 2, 3 & 5 - Presentation	41
9.	Wales Audit Office Annual Improvement Report 2014-15	63
10.	Internal Audit Report	91
11.	Statement of Accounts 2014-15 (Appendix will be provided electronically)	117
12.	Audit of Financial Statements – Report to those charged with Governance (Audit of Financial Statement Report)	121
13.	Revenue Budget 2016-17 Update	141
14.	Forward Work Programme	149

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

Signature of Proper Officer:



MEMBERSHIP

Councillors:

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

SOUTH WALES FIRE & RESCUE AUTHORITY
MINUTES OF THE FINANCE, ASSET & PERFORMANCE
MANAGEMENT WORKING GROUP MEETING
HELD ON MONDAY 13 APRIL 2015 AT
SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

40. PRESENT:

Councillor	Left
J Morgan (Chair)	Blaenau Gwent
D Ali	Cardiff
E Galsworthy	Merthyr Tydfil
E Hacker	Vale of Glamorgan
A Jones	Torfaen
S Jones	Rhondda Cynon Taff
M Powell	Monmouthshire
C Smith	Bridgend
V Smith	Monmouthshire

APOLOGIES:

P Drake	Vale of Glamorgan
P Hannon	Newport
C James	Bridgend
J Jones	Caerphilly
S Pickering	Rhondda Cynon Taff

ABSENT:

OFFICERS PRESENT:- DCO S Chapman, ACFO R Prendergast – Director of Technical Services, Mr C Barton – Treasurer, AM R Matheson – Head of Operational Risk Management, A/AM I Greenman – Head of Training and Development, Mr G Thomas – Head of Finance & Procurement, Mr C Powell – Head of Business Support, Mr P Price – Head of Fleet and Engineering

Councillor S Jones extended a special warm welcome to Councillor Morgan who had returned to the Working Group following the loss of her husband. Councillor Morgan wished to thank Members and Officers for their kind messages and support provided.

41. DECLARATIONS OF INTEREST

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

42. CHAIR'S ANNOUNCEMENTS

There were no Chair's Announcements.

43. MINUTES OF PREVIOUS MEETING

The minutes of the Finance, Asset & Performance Management Working Group meeting held on Monday, 19 January, 2015, were received and accepted as a true record of proceedings.

44. SCRUTINY OF CAPITAL PROGRAMME

The Head of Finance & Procurement informed Members that the purpose of the report was to provide an outline of the performance of the Capital Programme over the last four financial years 2011/2012 to 2014/2015, with particular reference to the level of slippage each year, and potential actions for reducing this in future years.

RESOLVED THAT

44.1 Members agreed to note the content of the report.

44.2 Members agreed the relevant actions to improve the management of future Capital Programmes.

44.3 Members agreed to the appointment of lead Members following the AGM and a report to be presented at the next meeting.

45. REPORT ON PROGRESS OF ACHIEVEMENT OF IMPROVEMENT OBJECTIVES AS AT QUARTER 3 2014/2015

The Deputy Chief Officer presented a report to give assurance to the Members of the Fire & Rescue Authority, and Senior Management within South Wales Fire & Rescue Service, on progress towards achievement of the Improvement Objectives agreed for 2014/2015 as at the end of Quarter 3.

RESOLVED THAT

Members agreed they had reasonable assurance that progress in Quarter 3 indicated that the Improvement Objectives for 2014/2015 were likely to be achieved.

46. OPERATIONAL EQUIPMENT ASSET MANAGEMENT PLAN 2015-2021

The Head of Operational Risk Management presented a report which updated Members upon the Operational Equipment Asset Management Plan 2015-2021.

RESOLVED THAT

Members agreed to note the content of the report.

47. MINOR ASSET PLAN UPDATE

The Head of Business Support updated Members upon the progress being made against the Minor Asset Plan.

RESOLVED THAT

Members agreed to note the content of the report.

48. CODE OF CORPORATE GOVERNANCE ANNUAL GOVERNANCE STATEMENT 2014/2015

The Head of Business Support presented a report to Members on the Annual Corporate Governance Statement 2014/2015.

RESOLVED THAT

Members agreed to note and approve the content of the Annual Governance Statement 2014/2015.

49. REPORT ON PROGRESS ON THE IMPLEMENTATION OF THE FLEET REVIEW RECOMMENDATIONS

Following an independent review of light fleet during March 2014, the Head of Fleet and Engineering presented a report to Members which contained recommendations for improvement. This report updated Members upon progress against these recommendations.

RESOLVED THAT

Members agreed to note the progress against the recommendations.

50. REPORT ON RESPONSES TO THE CONSULTATION ON THE DRAFT STRATEGIC PLAN 2015-2020

For Members consideration, the Deputy Chief Officer presented a report on the responses to the Consultation on the Draft Strategic Plan 2015-2020.

RESOLVED THAT

50.1 Members agreed to note the responses received.

50.2 Members approved the publication of the Strategic Plan 2015-2020.

51. REVIEW OF THE AUTHORITY'S GRANT FUNDING AND THE IMPLICATIONS OF POTENTIALLY REDUCED FUNDING IN THE FUTURE

The Treasurer delivered an electronic presentation to Members on the 'Review of the Authority's Grant Funding, and the Implications of Potentially Reduced Funding in the Future'.

RESOLVED THAT

Members agreed to note the content of the electronic presentation.

52. DRAFT RESERVES STRATEGY

The Treasurer presented a report to Members which provided information on the Authority's Reserves, together with background on the appropriate management of reserves in a local Authority context.

The report also provided background to recent reports and commentary regarding the reserves held by Authorities, and also the salient advice, guidance, reporting requirements, regulatory and accounting frameworks which were relevant to the subject.

Information on the reserves held by the Authority would be provided at the Working Group meeting.

RESOLVED THAT

- 52.1 Members agreed to note the content of the report in respect of the reserves held by Authorities.
- 52.2 Members considered the content of the Strategy at Appendix 1 attached to the report, and agreed it, as a working basis for managing the Fire & Rescue Authority's reserve funds.
- 52.3 Members agreed to a further report being presented to the Finance, Audit and Performance Management Committee and the Fire Authority, with a view to approving the Reserves Strategy.

53. FORWARD WORK PROGRAMME

The Deputy Chief Officer presented the Forward Work Programme.

RESOLVED THAT

Members accepted the Forward Work Programme for the Finance, Asset & Performance Management Working Group.

SOUTH WALES FIRE & RESCUE AUTHORITY

MINUTES OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT MEETING HELD ON MONDAY 29 JUNE 2015 AT SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

1. PRESENT:

Councillor

Left

P Hannon (Chair)	Newport
J Morgan (Deputy Chair)	Blaenau Gwent
E Galsworthy	Merthyr Tydfil
M Javed	Cardiff
S J Jones	Rhondda Cynon Taff
M Powell	Monmouthshire
C Smith	Bridgend

APOLOGIES:

P Drake	Vale of Glamorgan
C Hawker	Caerphilly
A Jones	Torfaen

ABSENT:

OFFICERS PRESENT:- DCO S Chapman (Monitoring Officer), ACFO A Thomas – Director of Service Delivery, ACFO R Prendergast – Director of Technical Services, Mr C Barton – Treasurer, Mr G Thomas – Head of Finance & Procurement, Mr C Williams – Head of ICT, Mr C Powell – Deputy Monitoring Officer, Ms L Williams – Wales Audit Office, Mr J Maddock – TIAA Auditor

2. DECLARATIONS OF INTEREST

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

3. CHAIR'S ANNOUNCEMENTS

WELCOME TO NEW MEMBERS

The Chair extended a warm welcome to new Members of the Finance, Audit & Performance Management Committee. He provided an overview of the Committee and its scrutiny function, and highlighted that Members would focus on all financial matters, but were also encouraged to bring forward any issues that they wished to consider for scrutiny.

THANK YOU TO MEMBERS

The Chair also took the opportunity to thank the Deputy Chair for chairing meetings during his absence, and thanked Members for all their good wishes and support whilst he was in hospital.

Members responded by welcoming the Chair back to the Fire & Rescue Authority.

4. MINUTES OF PREVIOUS MEETING

The minutes of the Finance, Audit & Performance Management meeting held on 11 May 2015, were received and accepted as a true record of proceedings.

The Deputy Chief Officer provided an update on the 'Protected Pensions Age: Fire Authority Liability' report, and confirmed that Members decision had been communicated to HMRC and the individuals concerned.

5. REVENUE OUTTURN 2014-2015

The Head of Finance & Procurement informed Members that subject to the external audit process, the report outlined the revenue outturn position for the financial year end 2014/2015.

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 2014/2015

The Head of Finance & Procurement presented a report which provided Members with the capital outturn position for the year ended 31 March

2015, the financing arrangements and the budget slippage required to complete capital schemes in 2015/2016.

The Deputy Chief Officer also provided an update on the extremely high costs received for refurbishing Penarth Fire Station. She informed Members that the Property Strategy team had been tasked with reviewing the Refurbishment Programme and carrying out a cost analysis on reducing the refurbishment costs. Members were assured that they would receive a report on the refurbishment of Penarth Fire Station in due course.

Following lengthy discussion on whether it would be more cost effective to design new style Stations that would be constructed off site as many other businesses now did, which would be fit for purpose, the Deputy Chief Officer stated that the Service was also in the process of carrying out a cost analysis on temporary and portable Fire Stations.

RESOLVED THAT

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

7. STATEMENT OF ACCOUNTS 2014/2015

The Treasurer informed Members that the Statement of Accounts provided details of the statutory requirements of the Authority when producing the annual Statement of Accounts.

However, Members were made aware that the Statement of Accounts document was currently incomplete but would be available and signed off by the deadline date of 30 June 2015, and circulated to Members as soon as possible.

The Treasurer requested that Members report any comments or observations on the Statement of Accounts directly to the Head of Finance & Procurement.

RESOLVED THAT

- 7.1 Members agreed to note that the unaudited Statement of Accounts were nearly complete.
- 7.2 Members authorised the Treasurer to make such amendments to the Statement of Accounts as he considered necessary in consultation with the External Auditors.

- 7.3 Members agreed that the audited accounts and statutory report of the external auditor be presented to the Finance, Audit & Performance Management Committee on 14 September 2015, with a view to formal adoption by the full Fire & Rescue Authority on 21 September 2015.
- 7.4 Members agreed to note the Wales Audit Office Financial Audit Outline at Agenda Item 12 - 'Wales Audit Office 2015-2016 Programme of Audit Work'.

8. MEDIUM TERM FINANCIAL STRATEGY UPDATE

The Treasurer delivered an electronic presentation to Members to update them on the Medium Term Financial Strategy.

RESOLVED THAT

- 8.1 Following a question and answer session, and highlighting concerns relating to pension costs, Members agreed to note the electronic presentation on the Medium Term Financial Strategy.
- 8.2 Following a query by the Chair, the Treasurer agreed to confirm the 3.8% under-spend figure.

9. SCRUTINY OF INCIDENTS WHERE NO SMOKE ALARM WAS FITTED OR ACTUATED

The ACFO Service Delivery provided Members with an update on the current developments relating to incidents 'Where no Smoke Alarm was Fitted or Actuated'.

RESOLVED THAT

Following discussion and suggestions by Members on the development of new indicators, Members agreed to note the content of the report in respect of the current and future reporting of incidents 'Where No Smoke Alarm was Fitted or Actuated'.

10. SCRUTINY OF STRATEGIC OBJECTIVES 1 AND 4

The ACFO Service Delivery delivered an electronic presentation to Members on the Scrutiny of Strategic Objective 1 – 'Reduce Risk in our Communities'.

The ACFO Technical Services delivered an electronic presentation to Members on the Scrutiny of Strategic Objective 4 – 'To make use of

technological advances to meet service improvements and requirements’.

RESOLVED THAT

- 10.1 Following a question and answer session, Members agreed to note the electronic presentations of Strategic Objectives 1, and 4.
- 10.2 Members agreed to note that the Scrutiny of Strategic Objective 5 had been deferred until a later date.

11. ICT INFRASTRUCTURE PROJECT

The Head of ICT informed Members that an indicative Capital Bid to refresh the Service ICT infrastructure had been approved by the Fire & rescue Authority. The bid was based on estimated costs in 2013. In the face of software licence changes, increased charges, and an expansion of the project scope, approval to allocate additional resources was required.

RESOLVED THAT

- 11.1 Members agreed to approve the enhanced scope of the ICT Infrastructure Project to meet the current needs of the Service.
- 11.2 Members approved the allocation of additional funds to the project as detailed within the report.

12. WALES AUDIT OFFICE 2015/2016 PROGRAMME OF AUDIT WORK

The Wales Audit Officer outlined for Members the audit work that would be undertaken by the Wales Audit Office during the 2015/2016 financial year together with the associated fees.

RESOLVED THAT

Members agreed to note the areas of audit work to be undertaken by the Wales Audit Office during 2015/2016 and the associated fees.

13. WALES AUDIT OFFICE UPDATE REPORTS

The Deputy Chief Officer and Wales Audit Officer advised Members of the issue of the Certificate of Compliance for the audit of the Authority’s 2015-2016 Improvement Plan and the outcome of the ‘Delivering with Less – Workforce Reconfiguration Study’.

RESOLVED THAT

- 13.1 Members agreed to note the issue of the Certificate of Compliance for the audit of the Authority's 2015-2016 Improvement Plan.
- 13.2 Members agreed to note the positive conclusions reached by the Auditor General in the 'Delivering with less – Workforce Reconfiguration Study'.

14. FORWARD WORK PROGRAMME

The Deputy Chief Officer presented the Forward Work Programme for 2015/2016, and the Internal Auditor provided an update on the progress of the Internal Audit Programme for 2015/2016.

RESOLVED THAT

- 14.1 Members accepted the Forward Work Programme for 2015/2016.
- 14.2 Members noted the update on the Internal Audit Programme for 2015/2016.

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

AGENDA ITEM NO 5
14 SEPTEMBER 2015

REVENUE MONITORING REPORT 2015/16

SUMMARY

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

RECOMMENDATION

That the Finance, Audit & Performance Management Committee note the report content and approve the virements outlined in paragraph 2.3.

1. BACKGROUND

- 1.1 The revenue budget for 2015/16 was approved by the Fire & Rescue Authority on 15 December 2014. This report presents the major changes affecting the revenue budget since budget setting.
- 1.2 Appendix 1 details the original budget, a revised budget to reflect authorised virements, transactions to date, the forecast outturn position and variance analysis. Appendix 2 provides a narrative in support of Appendix 1 and Appendix 3 presents the impact on useable reserves.
- 1.3 As Members will be aware, approximately 80% of the Authority's budget is staff related. The majority of the salary budget is managed by Service heads in consultation with the People Services Directorate.
- 1.4 Due to the ongoing implementation of the new HR system, a detailed variance analysis of the salary budget has not been undertaken. It is expected that this will be remedied once the new system 'goes live' in October.

2. ISSUE

- 2.1 The current forecast for the year is an under spend of £589k. This figure has been extrapolated from month 4 and should, in consequence, be viewed with a commensurate level of prudence as the majority of the years' expenditure and income has yet to be incurred.
- 2.2 Since the original budget was set, there has been an increase in anticipated salary costs of £302k due to the withdrawal of Welsh Government grant funding for community safety activities which has subsequently been absorbed into the base budget with the approval of

this Committee and an increase in personnel assigned to projects aimed at delivering future savings. There has also been an increase in ill health retirements and smaller movements in relation to providing cover for industrial action. An under spend on non salary areas of £627k is largely due to the 'contingency' budget being held as approved by Members during budget setting.

2.3 In order to manage budgets effectively, the approval of the following virement between budget heads is required (this has already been affected in Appendix 1):-

- £294k from Strategic Initiatives to support increased salary expenditure as a result of the reduction in Welsh Government (WG) funding.
- £30k from salaries to contracted services to accommodate auxiliary management fees in respect of industrial action.

3. FINANCIAL IMPLICATIONS

3.1 A projected under-spend on the revenue budget equating to £589k.

3.2 The redeployment of surplus to useable reserves at year end Appendix 3.

4. EQUALITY RISK ASSESSMENT

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



5. RECOMMENDATION

5.1 That the Finance, Audit & Performance Management Committee note the report content and approve the virements outlined in paragraph 2.3.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	- Revenue and Capital Determination Report - Revenue Budget Working Papers - Budget Holder Reports - Capital Monitoring Report

SOUTH WALES FIRE & RESCUE SERVICE
BUDGET MONITORING 2015/16
APPENDIX 1

	Original Budget 2015/16 £	Revised Budget (vired budget) 2015/16 £	Actual at 24.07.15 £	Forecast 31.03.16 £	Over/Under Spend £	Over/ Under Spend %
Employee Costs						
Salaries, NI & superann.	52,093,393	52,357,701	12,589,387	52,266,705	90,996	0.1%
	52,093,393	52,357,701	12,589,387	52,266,705	90,996	
Pensions	761,759	761,759	159,194	901,363	-139,604	-0.2%
Travel and Subsistence	460,000	460,000	64,587	449,476	10,524	0.0%
Total Employee Costs	53,315,152	53,579,460	12,813,168	53,617,544	-38,084	-0.1%
Premises Related Expenses	4,580,449	4,577,803	1,181,259	4,645,328	-67,525	-0.1%
Training Expenses	1,292,413	1,289,274	332,538	1,377,903	-88,629	-0.1%
Supplies & Services	3,293,179	3,300,084	1,603,346	3,295,822	4,262	0.0%
Transport Related Expenses	1,515,543	1,514,882	471,664	1,437,706	77,177	0.1%
Third Party Payments (contracted services)	715,121	744,661	325,509	749,987	-5,326	0.0%
Capital costs / leasing	4,456,002	4,456,002	1,137,034	4,597,931	-141,929	-0.2%
Contingency	850,000	555,692	0	0	555,692	0.8%
Income	-1,139,282	-1,139,282	-387,317	-1,433,333	294,051	0.4%
CONTRIBUTION BUDGET 2015/2016	68,878,577	68,878,577	17,477,201	68,288,887	589,690	0.9%

Key
 Overspend
 Underpsend

1. EMPLOYEE COSTS

- 1.1 A detailed breakdown of the £91k under spend on the salary budget is not available at this time however; this position is in general consequence to anticipated reductions in industrial action costs. These are offset by the cost of temporary posts introduced to support of the various initiatives employed across the organisation i.e. Joint Fire Control and Shaping Our Future aimed at delivering cashable budget savings in future years.
- 1.2 The aforementioned under spend includes the net virement value of £264k.
- 1.3 An increase in ill health pension costs (139k) is the result of 5 additional retirements since budget setting.

2. PREMISES RELATED EXPENSES

- 2.1 A projected over spend of £68k comprise the following areas:-

- **Planned and reactive property maintenance**

Two unbudgeted projects (Ebbw Vale training tower and Duffryn shower block) have been completed equating to £50k. These costs were expected in 14/15 but the projects were not completed. In addition, the anticipated cost of valuations has increased by £40k to accommodate various feasibility studies including the proposed Compartment Fire Behaviour Training (CFBT) scheme at Cardiff Gate.

A £35k saving offsets the above increase on the redecoration budget heading. Any minor works/redecorations that are not required for health & safety reasons have been put on hold awaiting the outcome of the stock condition survey. A further saving of £15k has been identified due to the reduction in the number of air conditioning units being replaced this year.

- **Rates**

The forecast has increased by £55k to facilitate non domestic rate charges payable as a result in the delay in the completion on the sale of Lanelay Hall.

- **Energy**

A £40k under spend relates to a reduction in forecast gas costs based on 14/15 outturn and an expected saving on electricity due to the fitting of energy efficient LED lights (the Salix funded project).

3. TRAINING

- 3.1 The additional £88k variance relates to the following main areas:-
- 3.2 £75k increase in Assessment Development Centre (ADC) expenditure for the purchase of a WDS sifting tool. The sifting tool will increase reliability of our current practices with electronic on-line assessment at the application stage negating the need for assessors, reducing both time and costs whilst increasing flexibility in the process both in the medium and longer term. The cost of this tool is to be shared between the 3 Welsh Fire & Rescue Services; the income budget line below has been increased by £50k accordingly.
- 3.3 A further £10k is required within the BA/Real Fire Training budget heading to accommodate additional safety measures required at the CFBT facility at Cardiff Airport.

4. TRANSPORT

- 4.1 A forecast under spend in the region of £77k is a result of 10% reduction in fuel costs. Members will be aware of the dip in the price oil which has transcended to fuel costs.

5. CAPITAL COSTS

- 5.1 The projected cost of financing capital investment has increased by £142k. This is the result of an increase in the minimum revenue provision (MRP) which is offset by lower interest costs as no external borrowing will be undertaken this year.

6. INCOME

- 6.1 A projected £294k increase in income is the result of contributions from third parties for various initiatives, i.e. fire control, National Issues Committee, ADC sift tool etc.
- 6.2 In addition to the above variances is £556k variance held on the contingency code which is designed to accommodate significant unexpected inflationary increases e.g. cost of living pay awards.

				Appendix 3
REVENUE RESERVES				
	Balance at 1 April 2015	In year movements	Projected Balance at 31 March 2016	
REVENUE				
General Reserve	3,000			3,000
Managed Under Spend C/F	84			84
Fuel Management Reserve	14			14
Day Crewing Protection Reserve	407			407
Change Management Reserve	7,538	590		8,128
	11,043	590		11,633
CAPITAL				
Capital Receipts Reserve	313	178		491
	11,356	768		12,124

CAPITAL MONITORING REPORT 2015/16

SUMMARY

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

RECOMMENDATION

That Members note the progress of the 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 budget setting in December 2014. Appendix 1 illustrates 2014/15 budget slippage approved by Members, the 2015/16 budget, expenditure incurred to date, a forecast outturn position and budget slippage into 2016/17.
- 1.2 In summary, the total available budget equates to £9.7 million, the forecast outturn position and slippage for the year is £6.1 million and £2 million respectively and there is a net saving of £1.6 million, identified through the course of the budgeting process.
- 1.3 Appendix 1 provides a detailed breakdown of the schemes contributing to the aforementioned position together with the necessary financing arrangements.
- 1.4 This report provides a narrative update in support of figures detailed in Appendix 1.

2. ISSUE

2.1 Property

2.1.1 Land Acquisitions

- 2.1.1.1 A budget of £750k was approved for the acquisition of land in Pontypridd and South Cornelly during 2014/15. Currently suitable sites have not been identified and considering the substantial pre-acquisition stages required to complete, it would be highly unlikely that acquisition will be completed before March 2016.

2.1.2 Wholetime Station Refurbishments

2.1.2.1 Penarth

This project has been put on hold pending a new project brief for the scheme. The Fire & Rescue Authority has requested a revisit of the project in order to 'value engineer' a reduction of £1m. In consequence, an under spend of £1.9m (the budget) is expected. The Property Steering Group is due to meet and provide clarification.

The under spend can be used to service potential over spends in the 2 sites below.

2.1.2.2 Aberdare

Completion of the project is currently forecast as the 17 November 2015. At present, the forecast outturn suggests an over spend of £20k due to estimated costs identified by the risk register. The main risk relates to the installation of incoming communication lines which the supplier has failed to complete within Service Level Agreement timeframes and has potential to increase contractor costs.

2.1.2.3 Ebbw Vale

Unbudgeted spend of £39k for increased training capability at Ebbw Vale station has been identified i.e. drill tower. This was for works in addition to the earmarked repair works in the revenue budget that were due to be completed in 2014/15.

2.1.3 Retained Duty Station Refurbishments

2.1.3.1 Blaina

£500k of slippage has been carried forward to enable discussions to ensue to fund alternative projects. As borrowing has already been made against this project funds can be used to reduce the Aberdare funding requirement.

2.1.4 Planned and Preventative Maintenance

2.1.4.1 This budget accommodates larger repair works based on replacement plans i.e. roofs and boilers which is generally a requirement of the older sites within the property portfolio.

Already there are small savings resulting from specifications i.e. £24k and a requirement to carry forward budget.

2.1.5 LED Lighting HQ

2.1.5.1 The property department has secured a 6 year, interest free loan (through Salix) to replace all lighting at HQ with energy efficient, low emission LED lights. The anticipated cost is £83k and works will be completed by the end of the financial year. Funding can either be 'drawn down' in stage payments for cash flow purposes or on completion.

2.1.5.2 Annual revenue savings on the energy budget of £51k are expected after completion. Following the completion of the HQ programme, it is anticipated to extend across all our sites in the near future subject to resources and procurement timescales.

2.1 Vehicle Replacement Programme (VRP)

2.2.1 Water Ladders

Budget for 1, 14/15 appliance was slipped forward to meet supplier costs and 5, 15/16 appliances are expected to be received by the end of the financial year. There is a forecast under spend of £163k due to a change in vehicle specification and can be used to support over spends elsewhere in the VRP (below). This is due to the budget being based on 4x4 appliances which require a more expensive chassis. The Operational Co-ordination Group (OCG) has since decided to reduce the number of 4x4 appliances in the service which has resulted in current builds utilising the less expensive, 4x2 chassis.

2.2.2 Ariel Appliance

Delivery of the appliance is expected in winter 2015 and to be on budget.

2.2.3 Rescue Tender (RT)

1, 2013/14 and 2 2014/15 RT's were received early 2015/16 following a long anticipated wait. The final body build stage payments were also received in April and May 2015 which have identified additional costs outside of the contract and not previously reported. These have resulted in an over spend of £34k:

£21k	£7k a piece for winch upgrade
£5k	Fire Service compliance testing
£8k	£2.7k a piece for additional stowage

The budget approved for 2015/16 of £592k is for the build of 2 vehicles. However, these have been slipped into 2016/17 pending a performance evaluation of the above recently received vehicles.

2.2.4 Utility 4WD

The £250k budget was for the purchase of four standard 4WD utility vehicles and 1 water rescue vehicle (WRV). The WRV has a different specification to the standard vehicle and as such, the exact costs were not known at the time of budget setting and are now anticipated to be £34k higher.

2.2.5 Vans (light vehicles)

Two vans from the 2014/15 VRP were delivered in early 2015/16 fully utilising the £36k budget slippage. The 2015/16 VRP is on course for completion within the year with an expected saving of £62k. This is due to the supplier now offering a discount of up to 45%.

Careful monitoring of this budget head will continue throughout the year as Vauxhall have historically been poor at prompt delivery.

2.2.6 Control Unit

Due to the complexity of the collaboration with MWWFRS and awaiting a final specification, this vehicle will not become operational during 2015/16 resulting in slippage of £65k carried forward.

2.2.7 Mobile Occupational Health Unit

Members approved an additional £45k for this new unit since the original budget was agreed. Full specification is currently being developed and current estimations suggest that the vehicle will be operational this financial year.

2.3 **ICT**

2.3.1 Station End Mobilising Project

There are no expected costs this year. £11k of invoices expected to be received to offset in year accounting transactions.

2.3.2 Finance System

The remaining £22k slippage from 2014/15 is expected to be utilised this year on remaining elements of system development and potential interfacing with other systems across the organisation. This is dependant on outcomes of the ongoing Shaping Our Future project and future monitoring reports will provide updates on this.

2.3.3 HR/Payroll System

From the £77k 2014/15 slippage, £57k is expected to be utilised in 2015/16 with the balance of £20k slipping forward to 2016/17. The delay in the project is due to the continued complexities of collaboration with MWWFRS. This year should see the completion of Phase 1 to be roll out in October 15 (HR and payroll elements). Phase 2 is due to be completed in April 16 (rostering, recruitment, training etc) and Phase 3 thereafter (KPI's, mobile devices etc).

2.3.4 Alerters

This project was completed in 2014/15 however equipment costing £2k has been received this year that were not expected. At this time, no further costs are expected.

2.3.5 ICT Replacement Programme

Members will be aware that during the FAPM meeting on the 29 June 2015, an additional £213k budget for this project was approved. The full £611k approved budget is due to be spent this financial year with the final stages being completed in the last quarter.

2.3.6 Additional Storage

At present, the forecast remains the same as budget. However, the budget submission was based on technology that is now end of life and so ICT are awaiting a new quote from the supplier.

2.3.7 Service Desk System

The budget of £50k for this project has been put on hold pending the outcome of the Shaping Our Future project. Future monitoring reports will provide an update on any revised costs and timings.

2.3.8 Command and Control System

An order for £282k has recently been placed in relation to the Joint Control Project's Command and Control System, which is under construction at South Wales Police HQ in Bridgend. There is a collaboration agreement in place with Mid and West Wales Fire & Rescue Service whereby all costs incurred are split 50%. On that basis, the forecast outturn is expected to be £141k.

2.4 **EQUIPMENT**

2.4.1 Excelerate Dual Thermal Camera

Project is currently expected to complete in year and to budget.

2.4.2 CCTV for Appliances and Body Cameras

Specification has been completed and once tenders are received, the forecast will be updated with more accurate figures.

2.4.3 Incident Command Unit

Specification is currently being completed. Once tenders received, the forecast will be updated with more accurate figures.

3. FINANCIAL IMPLICATIONS

- 3.1 Appendix 1 illustrates capital scheme details and is supported by paragraphs 2.1 to 2.4 above. The total available budget of £9.7 million, compared to the forecast investment costs of £6.1 million, result in £2 million of slippage and £1.6 million of savings.
- 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 and Diversity 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 2014/15 - Budget Holder Reports

Capital Programme 2015/16						APPENDIX 1		
	2014/15 Slippage £'000	2015/16 Budget £'000	Actual as at 20.07.15 £'000	Committed as at 20.07.15 £'000	Outturn Position 31.03.2016 £'000	Budget under/(over) spend £'000	Slippage c/f 2016/17 £'000	
PROPERTY								
<i>Land Acquisitions;</i>								
Pontypridd	0	425	0	0	0	0	425	
South Cornelly	0	325	0	0	0	0	325	
<i>Station Refurbishments - Wholetime;</i>								
Penarth	19	1,856	1	11	2	1,873	0	
Aberdare	1,534	115	338	1,287	1,669	-20	0	
Ebbw Vale	0	0	-5	5	39	-39	0	
<i>Station Refurbishments - RDS;</i>								
Blaina Station	500	0	0	0	0	0	500	
Planned & Preventative Maintenance	96	60	53	3	101	24	31	
LED Lighting project	0	0	0	0	83	-83	0	
SUB TOTAL	2,149	2,781	386	1,306	1,894	1,755	1,281	
VEHICLES								
Water ladders	241	1,203	0	527	1,281	163	0	
Aerial Appliances	300	0	125	129	300	0	0	
Rescue Tenders	960	592	994	258	995	-35	592	
Utility 4WD	0	250	0	210	284	-34	0	
Vans (light vehicles)	36	155	37	112	129	62	0	
Control Unit	65	0	0	0	0	0	65	
Mobile Occupational Health Unit	0	0	0	0	48	-48	0	
SUB TOTAL	1,602	2,200	1,155	1,236	3,037	108	657	
ICT								
Reserve Station Mobilising Equipment	0	0	-11	11	0	0	0	
Finance/Procurement	22	0	0	0	22	-0	0	
HR/Payroll	77	0	0	76	57	-0	20	
Alerters	0	0	2	0	2	-2	0	
ICT Replacement Program	298	100	0	375	611	-213	0	
Additional Storage	0	25	0	0	25	0	0	
Service Desk System	0	50	0	0	0	50	0	
Command and Control System (Joint Control Project)*	0	0	0	282	141	-141	0	
SUB TOTAL	397	175	-9	744	859	-307	20	
Equipment								
Excelerate Dual Thermal Camera	0	30	0	0	30	0	0	
CCTV for Appliances & Body Cams	0	100	0	0	100	0	0	
ICU Equipment	0	220	0	0	220	0	0	
SUB TOTAL	0	350	0	0	350	0	0	
TOTAL	4,148	5,506	1,533	3,286	6,140	1,556	1,958	
					Funding			
					Borrowing	5,901		
					Revenue Contribution	239		
					Revenue Reserves	0		
					6,140			

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

2014/15 ANNUAL TREASURY MANAGEMENT REVIEW

SUMMARY

To consider the results of treasury management activities for the year ending 31 March 2015, in accordance with the Authority's approved Treasury Management Strategy.

RECOMMENDATION

That the Finance, Audit & Performance Management Committee recommend the Fire & Rescue Authority note the Annual Treasury Management Review for 2014/15 and approve the actual 2014/15 prudential and treasury indicators set therein.

1. BACKGROUND

1.1 There exists a statutory and regulatory obligation for the Authority to comply with the reporting requirements detailed in Appendix 1. An 'Annual Treasury Management Review Report' is required to be presented to full Authority as soon after the close of the financial year as is practicable or by the 30 September at the latest. The purpose of this is to compare the actual 2014/15 position to the treasury management strategy set in advance of the year to confirm or otherwise, compliance and assess performance.

2. ISSUE

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

2.2 The Authority receives annual bank deposits in the region of £80 million throughout the year. In general, monthly bank payments fall between £5 – 8 million and are dependant on various factors. The timing of these cash flows can be uncertain and as such, it is imperative that the flow of cash in and out of Authority bank accounts is managed to support budget strategies and minimise risk.

2.3 The Authority contracts with 2 banking providers, i.e. Barclays and Natwest. Barclays is the main banking provider and was successfully awarded a new 5 year contract in November 2014. Natwest provide a contingency service to manage funds surplus to the counter party limits set by Members within the strategy.

3. FINANCIAL IMPLICATIONS

3.1 Borrowing Outturn

The Authority maintains a competitive, average debt book rate of 4.07%. The current borrowing strategy supports the use of internal borrowing utilising cash reserves. External borrowing is only undertaken to ensure efficiencies are achieved in the revenue budget in the longer term. An example of this during 2014/15 is the Invest to Save (I2S) funding provided for the joint control project by Welsh Government (WG).

3.2 Investment Outturn

In light of the above borrowing strategy, external investments have reduced during the year to ensure a ready supply of cash to support capital investment (details contained in capital monitoring report). As such, cash balances have been maintained in higher earning accounts as apposed to renewing external investments previously held in bonds.

3.3 Unfortunately, market conditions have caught up with our investment rates providing lower return rates of 0.7% and 0.25% with our respective bankers. Under the new banking contract Barclays rates will be maintained until January 2016 when it will be reviewed. Any counterparty surpluses will be invested with NatWest at a much lower rate of 0.25%. These rates appear low until compared to the available market rates which fell within the region of 0.2 – 0.5%.

3.4 We received £135k of investment income during the year based on an annual average of £10 million held in cash deposits - a small amount of this was attributable to 2013/14 bonds that matured within the first quarter of 2014/15.

4. EQUALITY RISK ASSESSMENT

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

5. RECOMMENDATION

5.1 That the Finance, Audit & Performance Management Committee recommend the Fire & Rescue Authority note the Annual Treasury Management Review for 2014/15 and approve the actual 2014/15 prudential and treasury indicators set therein.

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

Annual Treasury Management Review 2014/15

1. Introduction

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review report and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the minimum reporting requirements were that the full Fire Authority should receive the following reports:

- an annual treasury strategy report in advance of the year, reported 24th March 2014
- a mid-year treasury update report, reported 15th December 2014
- an annual review report following the end of the year describing the activity compared to the strategy, i.e. this report

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

The Authority also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above reports to the Finance, Audit and Performance Management (FAPM) Committee prior to reporting to full Authority.

2. The Economy and Interest Rates

The original market expectation at the beginning of 2014/15 was for the first increase in bank rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's (BoE) forward guidance target of 7%. A combination of weak pay rises and inflation meant that consumer disposable income was still being eroded. Expectations for the first increase in bank rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. By the end of 2014, it was clear that inflation in the UK was going to head towards zero to potentially negative digits in 2015. In turn, this made it clear that the Monetary Policy Committee (MPC) would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

In a broader context, financial market confidence was affected by the drastic drop in oil prices and the collapse of the Swiss stock market.

There has been downward pressure on gilt yields from fears of Greece leaving the euro due to the anti austerity party winning power and the January announcement that the European Central Bank (ECB) would start a major programme of quantitative easing. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first

country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears.

The UK coalition Government maintained its tight fiscal policy stance although recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

3. Overall Treasury Position as at 31 March 2015

At the end of 2014/15 the Authority's treasury position was as follows:

	31 March 2014 Principal £000's	Rate %	Avg Life yrs	31 March 2015 Principal £000's	Rate %	Avg Life yrs
Total debt	38,554	4.07	12	40,241	4.07%	11
CFR	44,442	-	-	46,465	-	-
Over / (under) borrowing	5,888	-	-	6,224	-	-
Total investments	5,000	1.15	1	0	-	-
Net debt	33,554	-	-	40,241	-	-

4. The Strategy for 2014/15

The expectation for interest rates within the strategy for 2014/15 anticipated a low but rising Bank Rate (starting in quarter 1 of 2015) and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the South Wales Fire & Rescue Service (SWFRS) treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk. The strategy was adhered to with the exception of interest free financing provided by WG to progress the joint control project. As capital works have yet to commence, there has been no expenditure and the funds have been retained in Authority bank accounts, attracting interest.

The actual movement in gilt yields meant that PWLB rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February.

5. The Borrowing Requirement and Debt

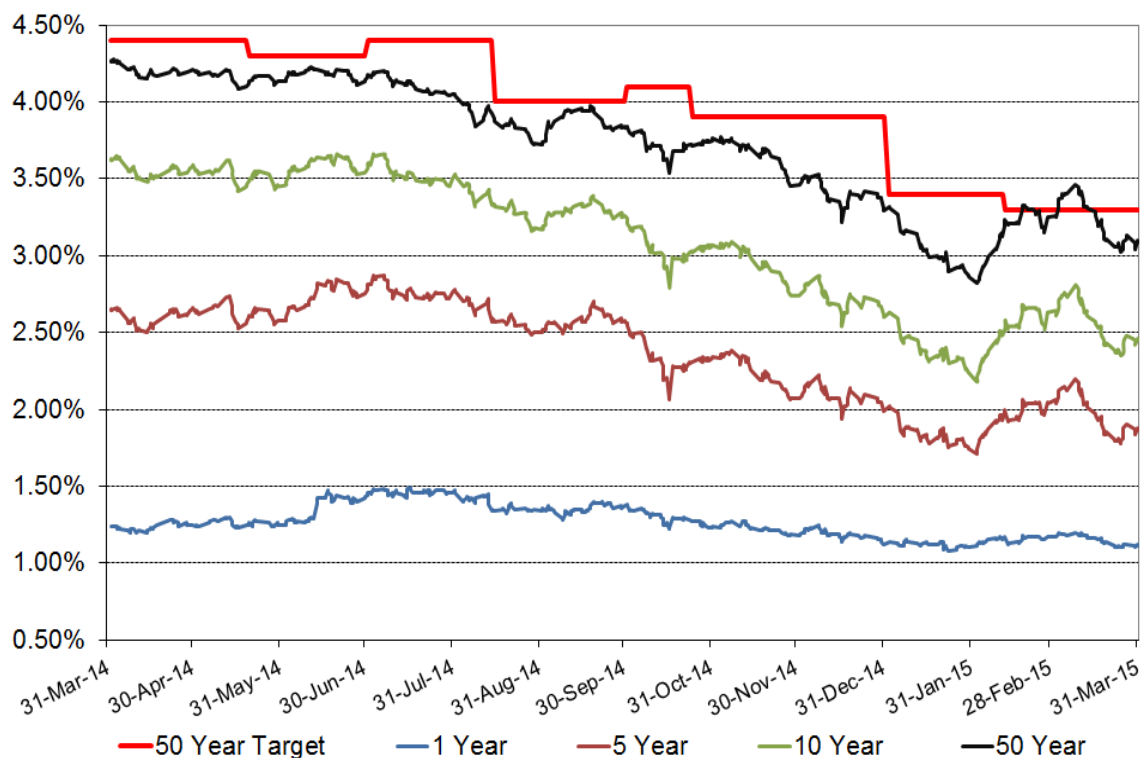
The Authority's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR) and the below table details the outturn against budgeted position.

£000's	31 March 2014 Actual	31 March 2015 Budget	31 March 2015 Actual
CFR General Fund	44,442	51,585	46,165

The £51,585 million budgeted CFR was based on a higher rate of capital investment. The strategy estimated capital spending of £8,417 million however the actual capital outturn equated to £4,827 million, 57% of original estimate (more detail in appendix 1).

6. Borrowing Rates in 2014/15

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



7. Borrowing Outturn for 2014/15

The following loans were taken during the year: -

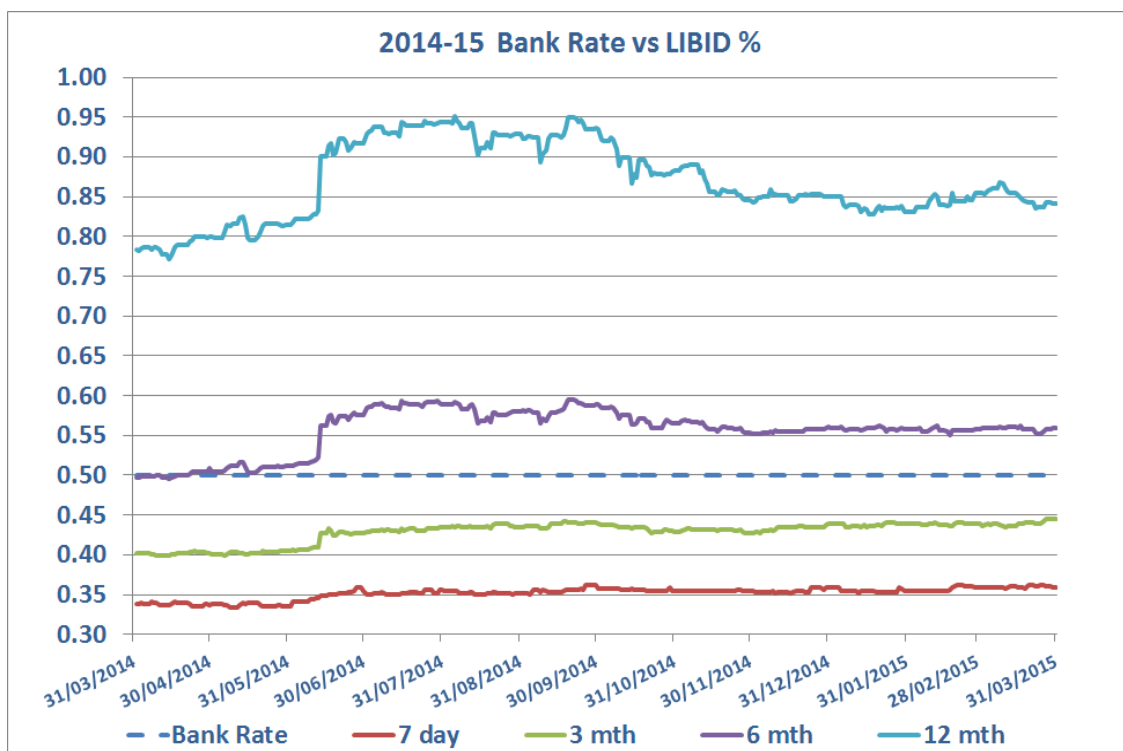
Lender	Principal £000's	Type	Maturity
Welsh Government (WG)	2,289	Interest Free loan	4 years

During the year, a strategic project to implement a joint control room was pursued. The project attracted WG funding under the Invest to Save (I2S) scheme and represents interest free financing to the value of £3 million with £2.3 million received in 2014/15 and the remaining funds receivable in 2015/16.

Rescheduling - Debt rescheduling was not undertaken during the year as existing loans are cheap (average debt book rate is 4.07%) and refinancing these would not have been cost effective.

8. Investment Rates in 2014/15

Bank rate remained at its historic low of 0.5% throughout the year; it has remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year as detailed above in the economic update.



9. Investment Outturn for 2014/15

Investment Policy – the Authority’s investment policy is governed by WG guidance, which has been implemented in the annual investment strategy approved by the Authority on 24th March 2014. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

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

Investments held by the Authority - the Authority maintained an average monthly balance of £11.7 million in internally managed funds held in call accounts and earned an average rate of return of 0.48%. This compares with the budget assumption of £5 million earning an average rate of 1%.

10. Icelandic Bank Defaults

The Authority has not undertaken investment activities with Icelandic banks/ institutions.

Appendix 1: Prudential and Treasury Indicators

During 2014/15, the Authority complied with its legislative and regulatory requirements. The key prudential and treasury indicators detailing the impact of capital investment activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2013/14 Actual £000	2014/15 Original £000	2014/15 Actual £000
Capital expenditure	5,979	8,417	4,827
Capital Financing Requirement	44,442	51,585	46,165
Gross borrowing	45,011	49,078	46,171
External debt	38,554	43,088	40,241
Investments (<1 year)	5,000	5,000	0
Net borrowing	40,011	44,078	46,171

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2014/15) plus the estimates of any additional capital financing requirement for the current (2015/16) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator also allows the Authority some flexibility to borrow in advance of its immediate capital needs in 2014/15 and should be determined from a long term view on from both an internal financing position and external assessment of interest rate movements.

The calculations have been refreshed with the 2014/15 outturn position to determine the medium term impact and gross borrowing, whilst exceeding CFR on a short term basis for both 2013/14 and 2014/15, does not exceed CFR in longer term, as detailed above. At the 31st March 2015 gross borrowing position exceeds CFR by £6k and is in consequence of the I2S financing of the joint control project (above). Members will be aware that capital works have not yet commenced and as such this equates to borrowing in advance of need.

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2014/15 the Authority has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

2014/15	£000's
Authorised limit	£56,000
Maximum gross borrowing position (inc PFI & Lease)	£46,171
Operational boundary	£56,000
Average gross borrowing position	£45,591
Financing costs as a proportion of net revenue stream	6.35%

In the 12 months leading up to 31st March 2015 the Authority's net capital financing costs have increased by £500k. This is in addition to a reduction in the net revenue stream i.e. levy with the effect of increasing the relative measure of financing costs by 0.83%.

Officers are actively seeking opportunities wherever possible to ‘tap’ into funding for projects that will achieve revenue savings in the longer term and with minimal budget impact. Such funding has become available via discounted and interest free borrowing i.e. I2S.

	31 March 2014 Principal £000's	Rate %	Avg Life yrs	31 March 2015 Principal £000's	Rate %	Avg Life yrs
Fixed rate funding:						
-PWLB	38,554	4.07	12	37,952	4.07	11
- WG	-	-	-	2,289	0	5
Total debt	38,554	4.07	12	40,241	4.07	-
CFR	44,442	-	-	46,465	-	-
Over/ (under) borrowing	5,888	-	-	6,224	-	-
Total investments	5,000	1.15	1	0	-	-
Net debt	33,554	-	-	40,241	-	-

* Investment figures exclude funds held in call accounts.

The maturity structure of the debt portfolio was as follows:

Term	31 March 2014 Actual £000's	31 March 2015 Actual £000's
Under 12 months	601	1,902
12 months and within 24 months	1,903	1,902
24 months and within 5 years	6,206	9,995
5 years and within 10 years	9,490	7,483
10 years and within 15 years	8,143	7,859
15 years and within 20 years	6,111	5,000
25 years and within 30 years	6,100	6,100

The maturity structure is largely unchanged from 2013/14 position and does not present increased risk exposure to large sums of falling due for refinancing.

All investments for 2013/14 were under 1 year and there were no investments held at 31st March 2015.

The exposure to fixed and variable rates was as follows:

The Authority does not undertake variable rate borrowing or investing. All borrowing is fixed rate to ensure budget certainty.

AGENDA ITEM NO 8

Scrutiny of Strategic Objectives 2, 3 & 5

Presentation

South Wales
Fire and Rescue Service



Gwasanaeth Tân ac Achub
De Cymru

Scrutiny of Strategic Objectives 2015/16

Strategic Objective 2

2. ENGAGE AND CONSULT WITH OUR STAFF, COMMUNITIES & STAKEHOLDERS
TO JOINTLY SHAPE OUR FUTURE SERVICES



Strategic Objective 2

Why was it chosen?

- SMT identified a gap in that we currently do not engage with our communities to help shape future strategic planning and service delivery.
- Our employees are also members of our communities. It is important to engage and consult with staff in order to bring them on a journey and to play an active role.
- Communication – internal and external is key especially in times of change and transformation.

Strategic Objective 2

What does this mean?

- As our role within society changes and public expectations on the Fire & Rescue Service increases, we recognise that the delivery of public services has to change. Our staff are essential to the delivery of our service. Their commitment to and involvement in making our communities safe is the foundation on which we build our Service.
- In addition to this, we recognise the need for a team 'South Wales' approach and therefore the importance of engaging, consulting and involving all stakeholders to jointly shape our future services.

Strategic Objective 2

How will we achieve this?

- We will ensure staff awareness of the Service's priorities and requirements for communication and engagement.
- We will undertake engagement to obtain views on service delivery, risk and priorities.

Strategic Objective 2

Actions in Plans

- Implement a communication plan within Control to support personnel through the changing environment to achieve a shared Control.
- Establish a forum whereby non-station based personnel can discuss issues with Heads of Service.
- Ensure all departmental staff are engaged and informed via regular team meetings.
- Continue to communicate and engage with staff to help them understand corporate issues and address concerns.

Strategic Objective 2

Actions in Plans

- Implement the Service Communications and Engagement Strategy, both internally and externally.
- Establish a non-union staff member consultation forum.
- Establish a Joint Consultative Committee.
- Lead and support the Community Engagement Group in the implementation and embedding of the Community Engagement Strategy.

Strategic Objective 3

3.

ALIGN OUR RESOURCES TO ENSURE THEY ARE FIT FOR PURPOSE AND SUSTAINABLE FOR THE FUTURE



Strategic Objective 3

Why was it chosen?

- Current economic climate, goal to ensure the services we provide are fit for purpose, balanced against risk, provide value for money to tax payers and remain sustainable.
- Communities and demographics have changed, need to ensure our assets and resources are correctly positioned and fit for purpose.
- Statutory obligation to continuously improve.

Strategic Objective 3

What does this mean?

- Continually reviewing our resources to ensure they are in the correct location according to risk.
- Maintaining a competent and safe workforce and constantly challenging the way we do things to embed a culture of continuous improvement.

Strategic Objective 3

How will we achieve this?

- We will identify opportunities to improve and ensure the future sustainability of the Service.
- We will implement the projects contained in the Medium Term Financial Strategy.
- We will match our assets against priorities by implementing a flexible approach to investment.
- We will ensure we have a diverse workforce who are able to deliver our services.

Strategic Objective 3

Actions in Plans

- Liaise in a collaborative manner with the other Welsh FRS's to establish an appropriate way forward through the NIC.
- Consideration of further departmental integration between HR & Training.
- Procure, develop and roll out an effective performance management system that enables the organisation to learn and improve.
- Workstreams of Shaping Our Future.
- Finalise and embed the Health & HR practice manual

Strategic Objective 3

Actions in Plans

- Review of Occupational Health Services.
- Implement and embed recommendations made in the Fire Cover Review.
- Carry out continuous reviews of Planned Preventative Maintenance programmes in line with manufacturers' recommendations, CFOA Best Practice and current technologies to ensure the safety of users and the public.
- Support and implement organisational operational initiatives such as Fire Cover Review, Special Appliance Review and other change.

Strategic Objective 3

Actions in Plans

- Establish a Third Party Income Strategy for the Service, potentially to include a trading arm.
- Lead Scrutiny Members to be assigned to key asset areas.
(Now completed:
 - Property : Cllr V Smith
 - Fleet : Cllr C Smith
 - ICT : Cllr S Jones
 - Plant & Equipment : Cllr E Galsworthy)
- Periodic review of capital programme.

Strategic Objective 5

5. EXPLORE PARTNERSHIP AND COLLABORATIVE OPPORTUNITIES
TO IMPROVE OUTCOMES



Strategic Objective 5

Why was it chosen?

- We have a statutory obligation to reduce risk within the communities that we serve and work effectively with partners to improve citizen and community wellbeing.

Strategic Objective 5

What does this mean?

- We have a well established and proud history of collaborative working to deliver improvements and assist in improving community wellbeing whilst also securing greater efficiencies.

Strategic Objective 5

How will we achieve this?

- We will continue to contribute to local strategic priorities and single integrated plans through our involvement with key groups such as, Local Service Boards, Community Safety Partnerships and Local Resilience Forums.

Strategic Objective 5

Actions in Plans

- Ensure station Community Risk Management Plans are focused on risk reduction activities that deliver clear outcomes and benefits to the public and local communities and support the Service's improvement objectives.
- Each Unitary Authority Group Manager attends the relevant Local Service Board and Community Safety Partnership to identify and reduce any relevant risks.
- Develop a targeted approach to Home Safety in the most vulnerable homes in South Wales, in partnership with other agencies.

Strategic Objective 5

Actions in Plans

- To explore further collaboration with WAST regarding Emergency Medical Response to improve the outcomes for patients.
- Business Fire Safety to pursue external engagement with strategic bodies that have influence upon risk from fire in the built environment.
- Support Local Resilience Forums to develop multi-agency planning for future summits, conferences and major incidents.
- To explore opportunities for collaboration through the NIC Operations Programme Board.

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

AGENDA ITEM NO 9
14 SEPTEMBER 2015

WALES AUDIT OFFICE ANNUAL IMPROVEMENT REPORT 2014/15

SUMMARY

This report concludes the Wales Audit Office review of the Authority's delivery and evaluation of services in relation to 2014/15 and whether it believes that the Authority is likely to make arrangements to secure continuous improvement for 2015/16.

RECOMMENDATION

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

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 is planning for improvement and delivering its services. 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 that the report summarises the key content of other reports they have received during the last financial year on performance and improvement.

2. THE REPORT

2.1 The annual 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 2015/16.

2.3 During the course of the year, the Auditor General did not make any formal recommendations. However, lower priority issues, known as proposals for improvement, are contained in other reports and are

referred to in this report, and these will be monitored during the course of their improvement assessment work:

P1 Develop current arrangements by:

- Establishing a clear policy around charging for services and income generation
- Clarifying links between improvement objectives and financial plans
- Agreeing a written policy on the use of reserves

P2 The Authority should review the overall cost and savings in making the changes supported by the work of the Fire Cover Review.

P3 The Authority should ensure it plans for the impact on senior staff resources when implementing change.

2.4 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.

2.5 A Welsh version of the report can be found at:-

<http://www.audit.wales/cy/cyhoeddi/awdurdod-t%C3%A2n-ac-achub-de-cymru-adroddiad-gwella-blynyddol-2014-15>

3. RECOMMENDATION

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

Contact Officer: Sally Chapman Deputy Chief Officer	Background Papers: Wales Audit Office Annual Improvement Report 2014/15
--	---



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2014-15

South Wales Fire and Rescue Authority

Issued: August 2015

Document reference: 425A2015



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Steve Barry and Ron Price under the direction of Jane Holownia.

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

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

Contents

Summary report	4
Purpose of this report	4
Performance audit work in 2014-15	5
Headlines – a summary of key findings	6
Proposals for improvement	7
Detailed report	8
The Authority manages its finances well, has implemented changes that have improved its use of resources and has adequate arrangements to address future challenges	8
The Authority has effective financial management arrangements	10
Efficiency savings have been achieved by re-configuration of the workforce and effective programme management has enabled the Authority to manage associated risks	13
Improvement planning at the Authority is supported by well-embedded systems that produce accurate management information although there are some gaps in relation to equality	16
The Authority is working positively on its Welsh Language Scheme to improve its Welsh language service	18
Appendices	
Appendix 1 – Status of this report	19
Appendix 2 – Audit of South Wales Fire and Rescue Authority's 2014-15 Improvement Plan	20
Appendix 3 – Audit of South Wales Fire and Rescue Authority's assessment of 2013-14 performance	22
Appendix 4 – Annual Audit Letter	24

Summary report

Purpose of this report

- 1 Each year, the Auditor General is required to audit the improvement planning and reporting arrangements of Welsh councils, fire and rescue authorities and national park authorities, and to assess whether each authority will meet statutory continuous improvement duties¹. This work has been undertaken on behalf of the Auditor General by staff of the Wales Audit Office. [Appendix 1](#) provides more information about the Auditor General's powers and duties.
- 2 This Annual Improvement Report (AIR) summarises the audit work undertaken at South Wales Fire and Rescue Authority (the Authority) since the last such report was published in June 2014.
- 3 Taking into consideration the work carried out during 2014-15, the Auditor General will state in this report whether he believes that the Authority is likely to make arrangements to secure continuous improvement for 2015-16.
- 4 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.
- 5 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at info@audit.wales or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

¹ Duties and requirements contained within the Local Government (Wales) Measure 2009 (the Measure).

Performance audit work in 2014-15

- 6 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including the Authority's own mechanisms for review and evaluation. For 2014-15, we undertook improvement assessment work under the following themes: use of resources; governance; and performance.
- 7 The work carried out since the last AIR is set out below:

Project name	Brief description	When the work was carried out
Annual 'Improvement Plan' Audit	Review of the Authority's published plans for delivering on improvement objectives.	June 2014
Financial Planning Assessment	Review of the Authority's financial position and how it is budgeting and delivering on required savings.	November 2014
Annual 'Assessment of Performance' Audit	Review of the Authority's published performance assessment, including testing and validation of performance information.	November 2014
Data Quality Review	Assessment of the reliability of information and the effectiveness of its use in managing performance.	November 2014
Delivering with Less – Workforce Re-configuration	Assessment of how the Authority is managing the delivery of services in the context of reduced resources.	March 2015

- 8 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Authority is likely to comply with the requirements of the Measure during 2015-16.

Headlines – a summary of key findings

- 9 The table below summarises the key findings of reports issued since the last AIR by the Wales Audit Office and the outcome of the review of the Welsh Language Scheme by the Welsh Language Commissioner (WLC).

Audit of accounts	We issued an unqualified audit opinion on the accounting statements and the Pension Fund's financial position and transactions on 29 September 2014. This means the Authority complied with its responsibilities relating to financial reporting and use of resources and the accounts present a true and fair view of the Authority's financial position.
Improvement planning and reporting audits	We issued audit certificates stating that the Authority had discharged its duties under the Measure (see Appendices 2 and 3).
Financial planning assessment	The Authority has effective financial management arrangements.
Use of resources	Efficiency savings have been achieved by re-configuration of the workforce and effective programme management has enabled the Authority to manage associated risks.
Reliability and use of performance information	Improvement planning at the Authority is supported by well-embedded systems that produce accurate management information although there are some gaps in relation to equality.
WLC – Review of Welsh Language Scheme	The Authority is working positively on its Welsh Language Scheme to improve its Welsh language service.

- 10 Given the wide range of services provided by the Authority and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- a make proposals for improvement – if proposals are made to the Authority we would expect it to do something about them and we will follow up what happens;
 - b make formal recommendations for improvement – if a formal recommendation is made, the Authority must prepare a response to that recommendation within 30 working days;
 - c conduct a special inspection and publish a report and make recommendations; and
 - d recommend to Ministers of the Welsh Government that they intervene in some way.
- 11 During the course of the year, the Auditor General did not make any formal recommendations. However, lower-priority issues, known as proposals for improvement, are contained in our other reports and are referred to in the table below. We will continue to monitor proposals for improvement during the course of our improvement assessment work.

Proposals for improvement

Proposals for improvement	
P1	Develop current arrangements by: <ul style="list-style-type: none"> • establishing a clear policy around charging for services and income generation; • clarifying links between improvement objectives and financial plans; and • agreeing a written policy on the use of reserves.
P2	The Authority should review the overall cost and savings in making the changes supported by the work of the Fire Cover Review.
P3	The Authority should ensure it plans for the impact on senior staff resources when implementing change.

Detailed report

The Authority manages its finances well, has implemented changes that have improved its use of resources and has adequate arrangements to address future challenges



- 12 The Authority serves 1,484,570 people (census 2011) and comprises 24 members representing the councils covering the area: Blaenau Gwent (one member), Bridgend (two members), Caerphilly (three members), Cardiff (five members), Merthyr Tydfil (one member), Monmouthshire (two members), Newport (two members), Rhondda Cynon Tâf (four members), Torfaen (two members) and the Vale of Glamorgan (two members). The number of representatives from each constituent council is determined by the population of that area.
- 13 During the past year, the Authority has completed its first Fire Cover Review (FCR), to ensure its resources were correctly located according to the risk within its communities. The Authority has also been responding to the financial challenges faced by public sector services whilst ensuring compliance with its statutory responsibilities. Later in this report, we identify some of the ways in which this has been done. More details about the performance of the services and its plans for the next five years can be found on [its website](#).

Exhibit 1: Actual revenue expenditure 2011-12 to 2013-14

	2011-12	2012-13	2013-14
Revenue out-turn (£,000)	69,502	69,124	71,847*
Per head population	£47	£46	£48

*Includes £1,534,000 one-off costs associated with industrial action.

Source: Welsh Government Statistics Wales

- 14 Whilst the figures in [Exhibit 1](#) suggest an increase in expenditure between 2011-12 and 2013-14 when account is taken of inflationary pressures in real terms expenditure reduced overall by £276,000 over the period. Staff costs shown in the Authority's statements of accounts for 2011-12, 2012-13 and 2013-14 have reduced by £1,894,000 over the period. Applying the same 'real terms' analysis to the expenditure per head of population, the increase from £47 per head of population in 2011-12 to £48 per head of population actually represents a £1 reduction per head of population in real terms over the period.
- 15 The Authority set a budget of £69,955,985 for 2014-15.

The Authority has effective financial management arrangements

The Authority complied with its responsibilities relating to financial reporting

- 16 On 5 January 2015, the Auditor General issued an Annual Audit Letter to the Authority. The letter summarises the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and his reporting responsibilities under the Code of Audit Practice. The Auditor General issued an unqualified opinion on the Authority's accounting statements confirming that they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. The Annual Audit Letter can be found in [Appendix 4](#) of this report.

The Authority has a good track record of effective budgetary control and securing arrangements to operate within its financial constraints

- 17 Between 2011-12 and 2013-14, the Authority operated effective budgetary control, with timely assessments of the options that the Authority could implement to maintain a balanced budget. In comparison with 2011-12, by 2014-15 the Authority had reduced its budget by £1.2 million (1.7 per cent) in cash terms. Taking the need to account for inflation and other budget pressures, this reduction, in real terms, amounted to savings of £4.8 million (6.4 per cent). Budgetary control arrangements are supported by detailed guidance and monitoring arrangements at officer, member and executive level. Financial forecasting is well developed and accurate, and is subject to detailed and effective scrutiny and challenge at Authority meetings.
- 18 A willingness to consider radical change in service provision has been demonstrated by the Authority. After a substantial period in which little change to the location of stations and appliances occurred, the Authority embarked on a series of strategic transformation projects under the general heading of 'Fire Cover Review'. The purpose of these projects was to consider the most effective ways to maintain an effective risk-based service provision within a diminishing budget. This is being done by identifying optimum station locations and crewing arrangements to accurately match resources against risk. This has been, and will continue to be a challenging process, but one that has been handled effectively with mutual support between officers and members. The Authority has consulted widely on proposed changes to service provision and handled that process of change management effectively.
- 19 In the period covered by this report, the Authority has set a balanced budget with few variations in any of the budget headings. The greatest element of cost relates to employee costs, and prudent budgeting around this area has given the Authority scope to make underspends against original budget figures. Low levels of pay increase, agreed through national negotiation, have also enabled the Authority to plan and agree budgets effectively.

- 20 Savings have been made in other areas related to service provision and employee costs. For example, the service has changed crewing arrangements in Barry, and the provision of aerial appliances. Savings have been made through not filling posts immediately as retirements occur due to inherent time lags in the recruitment processes and the service has run with some under-provision of Retained Duty System (RDS) staff during 2012-13 and 2013-14 due to recruitment difficulties in some locations. Some other small-scale savings have also been secured through changes to leased vehicle arrangements, slippage and savings on the capital programme and subsequent capital charges, and in pension costs.
- 21 Since mid-2013, the Authority has faced challenges in a national dispute primarily relating to the government's proposed changes to pension arrangements for firefighters. This has required the Authority to put in place arrangements to maintain services during these periods of industrial action, which has placed an additional burden on the Authority, both financially and operationally. The Authority has managed this challenge effectively through the use of additional auxiliary firefighters and initially the use of some military fire cover. The ongoing dispute remains a challenge.

The Authority's plans and arrangements to deliver 2014-15 savings are fit for purpose, are effectively managed and are likely to be achieved but the medium-term outlook remains challenging

- 22 The Authority has an effective corporate framework for financial planning and exercises clear financial management and control. Through its Finance, Audit and Performance Management Committee (FAPM) and Full Authority it demonstrates a good level of scrutiny, debate and challenge on financial issues. Early consideration of spending options has taken place with effective dialogue between the Authority and its constituent local authorities. This has enabled the Authority to set a realistic and achievable budget for 2014-15, although the medium-term outlook remains challenging.
- 23 The Authority has developed asset management plans for land and property; ICT; kit and equipment; personal issue equipment; people; fleet and vehicles; and minor assets to assist in the consideration of future service provision and to align its employee costs and provision to its property estate. This will be an important part of the Authority's strategy moving forward, and the Authority is continuing a dialogue with communities and its constituent local authorities explaining the rationale and potential impact of changes in service provision.

An effective medium-term financial plan is in place to support strategic decision making

- 24 A clear vision and aim for the service is in place, with coherent and clear improvement objectives. The Authority has a medium-term financial plan in place which was agreed in November 2013. This contains key performance indicators and sensitivity analysis relating to key elements of the budget.
- 25 Whilst the Authority has set a minimum level of general reserves at £3 million, there is no separate written policy on the use of reserves. The level of reserves is discussed and considered but existing financial arrangements would be strengthened with greater clarity about the future use and policy on reserves.
- 26 Experienced and effective finance and budget managers are in place. Internal timekeeping around the presentation of financial information is well handled and works well throughout the Authority. The Authority has taken account of the financial challenges and made reasonable assumptions in setting its budget for 2014-15, supported with sound data and information.

Efficiency savings have been achieved by re-configuration of the workforce and effective programme management has enabled the Authority to manage associated risks

The Authority has made efficiency savings through workforce changes over the past three years

- 27 As reported in our financial planning assessment of December 2014, the Authority has been successful in setting, agreeing and maintaining accurate out-turns in its financial budgetary management for the last few years. It has been able to do this in times of budgetary pressure through changes to crewing arrangements, reviews of tactical managers, operational crewing reviews of all second appliances and reviews of middle managers. This has not been at the expense of meeting its statutory responsibilities. The Authority has maintained an effective service to the communities in South Wales throughout this period with an increased emphasis on prevention work.
- 28 As is the case with other fire authorities in Wales, the largest proportion of expenditure relates to employee pay. The service has a mix of whole-time duty, and retained (part-time on-call) staff to deliver its operational response services. Staff costs shown in the Authority's statements of accounts for 2011-12, 2012-13 and 2013-14 have reduced by £1,894,000² in real terms since 2011-12. The most significant reductions have been in the cost of uniformed whole-time and uniformed retained staff. In overall terms, the staff establishment reduced from 1,746 employees in 2011-12 to 1,681 in 2013-14.
- 29 Senior staff identified that it had been many years since aspects of fire cover had been analysed and challenged across the whole of the South Wales area. There was anecdotal evidence that in some places there was apparent over-provision of fire cover, with consequent resource implications, yet this had not been tested in a rigorous risk-based way.
- 30 It was agreed that the Fire Cover Review (FCR) process would be carried out in three phases to enable any identified changes in fire cover to be implemented in a controlled way, especially where changes in one area had implications for adjoining areas of South Wales. On 23 September 2013, having completed the first phase, the Authority authorised officers to commence public and partner consultation on the proposals for Phase 2 of the FCR for the Blaenau Gwent, Monmouthshire, Newport and Torfaen local authority areas.

Project planning and management were well documented and a sound evidence base supported decision making

- 31 For this review, we sought evidence that the change process had been managed using formal, documented project management principles. The advantage of adopting such an approach is that it enables the Authority to demonstrate that risks have been managed effectively, that lessons to be learned can be captured and built into future planning, and that the results of implementation can be evaluated against original intentions.

² As measured by the Treasury Gross Domestic Product deflators published April 2015.

- 32 A well-defined project management approach to this significant process was established by the service. Acceptable levels of increased risk were established at the outset to form the parameter of the review and shape the way in which options for changes in fire cover were considered.
- 33 Consultation arrangements with communities, individuals, councils and local politicians were put in place; the FRA seconded from an external organisation to support this aspect of the process and provide the relevant skills it did not have itself. As each phase of the FCR was undertaken, the Authority learned lessons on how to adjust the consultation process to get the maximum impact. For example, moving display stands to different locations within a high street, having more uniformed officers on the street asking for input from the public, and engaging in public meetings.
- 34 The consultation process was carried out in a structured way and was adapted as issues were raised by the public, and as the skills of staff involved developed. The quality and extent of consultation were beneficial in enabling the Authority to understand the critical issues relevant to the communities potentially affected by the FCR changes.
- 35 A sound evidence base was used to support decision making. The quality of the data and supporting information was tested through the extensive external challenge which the FCR proposals received. The framework used for collation of relevant evidence to support decision making was the National Fire Service Emergency Cover (FSEC) toolkit. The toolkit is a tool that enables fire and rescue services to assess the risks from fire and other incidents and to allocate responses appropriate to that risk and predict the effectiveness of risk reduction strategies employed.
- 36 Consideration of equality issues was incorporated in the FCR assessments and review process. These were included in summary form in reporting to the Authority during the process of endorsing proposed changes. Equality impact assessments were carried out and the results included in the risk assessment evaluation.
- 37 The Authority also made extensive use of a wide range of other information to support the FCR process, ranging from site-specific information to available information about the local population and local demand for the service.
- 38 The FCR led to a proposal to close Blaina Fire Station (a retained duty station) being made to the FRA on 23 September 2013. The accompanying report was detailed and comprehensive. Because the proposed closure of a local station is of significant interest, the FRA undertook a further period of additional consultation. Throughout this period, the strength of the evidence base was tested and proved able to provide assurance to Authority members responsible for decision making that implementing the proposals would not increase the risk of death or injury from fire in the Blaina area. On 22 September 2014, the closure of Blaina Fire Station was approved by the Authority with closure scheduled for March 2015.

- 39 Effective communication and interaction with workforce representatives took place during the implementation of the changes. In order to take proposals forward in a positive way, the Authority had regular meetings and interaction with union representatives. This has enabled the Authority to work with employees to ensure that a number of options could be presented to those affected by the closure and changes.
- 40 Staff have been offered four options. These include new fast-track arrangements to apply to join the ranks of full-time firefighters within the service, redeployment to other retained duty stations (subject to location and turn out time), relocation (where location is a challenge, with financial support available) or, as a last resort, redundancy. Around 16 staff are potentially affected by the changes and the process of establishing preferred options is currently underway.

Post-project evaluation has identified aspects that went well and lessons for the future

- 41 As part of the programme management process, a post-implementation review was undertaken; together with this report, a number of lessons for the future can be identified:
- a The extent of engagement necessary with stakeholders resulting from the proposals to close a local station was greater than originally anticipated. Proper engagement is essential in such projects but it needs to be recognised that this places additional demands on staff time with a potential impact on other areas of responsibility.
 - b The Authority had not calculated the overall cost of the implementation of the FCR project and proposals. Whilst many costs of such a review would be regarded as part of the discharge of professional obligations, additional hours and resources to drive the proposals forward proved necessary and it would be beneficial to future FCR work if such implications were captured.
 - c Additional costs were incurred for a variety of unanticipated aspects such as additional arrangements necessary for managing public meetings; extra work on dealing with the additional scrutiny of proposals and supplementary local consultation when station closure was identified as the preferred option.
 - d Station closure was a high-profile issue and generated a high level of external scrutiny. Good communications with staff to ensure consistency and clarity of messages are essential. Managing the external perception of what the Authority was seeking to achieve is a lesson that the Authority has learned in subsequent negotiations in relation to changes under the later stages of the FCR.
- 42 The Authority is also planning to provide feedback to Authority members about the changes once the Blaina Fire Station has closed.

Improvement planning at the Authority is supported by well-embedded systems that produce accurate management information although there are some gaps in relation to equality

- 43 We carried out a review of a sample of performance measures and operational data systems. The purpose of the review was to:
- a test systems and arrangements that support the production of performance management information, including national strategic, core and local performance indicators that are used to support improvement reporting and planning;
 - b verify and confirm the accuracy of submissions made to the Welsh Government in respect of national strategic and core indicators and associated data returns; and
 - c review how the Authority identifies trends and changes in performance to inform improvement planning and reporting.
- 44 Although there is not a formal written timetable for completion of the annual national strategic and core indicators, we found that staff were clear about the timing of the submission and were clear about roles and responsibilities. Activities are co-ordinated effectively by the Service Performance and Communications Team (SP&C). Key milestones are monitored by SP&C staff to ensure they are met, including analysis of cross-border incident information and coroner findings regarding fire-related death figures.

Some gaps existed in equality information

- 45 There is limited information on equality and diversity covering all of the protected characteristics as set out in the Equality Act 2010. Some information is available and collected in relation to incident data, and information relating to staff is maintained by HR. However, in neither area is this data fully comprehensive; officers have recognised the challenges in ensuring full coverage and are continuing to identify opportunities that enable easier collection of such data.
- 46 National strategic and core indicators for 2013-14 are correctly stated. To arrive at our conclusions, we tested:
- a Eleven national strategic indicators, of which 11 were found to be correct.
 - b Fifteen core data and/or local indicators and found that 15 were correct.
 - c Reviewed processes for producing associated data returns for HR, workforce and non-domestic property database information. The Authority has some challenges in correctly stating the number of properties within South Wales and is working to refine the database.
- 47 The Authority used existing guidance from the various fire circulars in an accurate way. However, in one area – fire-related injuries – the Authority identified it has recorded and reported the figure incorrectly since 2009. Published figures have been overstated, because the Authority misinterpreted guidance, and has counted ‘first aid given at scene’ within all their injury figures. The Welsh Government is arranging to publish corrected figures and a review of definitions to give clarity is planned for the future.

- 48 The Authority's Internal Audit service examined the core performance indicators for 2013-14. Substantial assurance was reported to the Authority's FAPM on 15 September 2014 with no urgent or important matters identified. Two recommendations included in the 2012-13 internal audit report have been effectively implemented.

Data is used well to inform improvement planning and support performance reporting

- 49 The Authority uses a balanced range of management information to identify improvement areas and monitor its performance across a full range of its activities. Performance information is used to support judgements, strategies and business planning with regular reporting to the Authority which makes referrals for further analysis to FAPM if this is considered necessary.

The Authority is working positively on its Welsh Language Scheme to improve its Welsh language service

- 50 The role of the WLC was created by the Welsh Language (Wales) Measure 2011. New powers to impose standards on organisations came into force through subordinate legislation on 31 March 2015. The WLC will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 51 The WLC works with all authorities in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of authorities to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every authority is committed to providing an annual monitoring report to the WLC outlining its performance in implementing the language scheme. The WLC analyses every monitoring report, provides a formal response and collects further information as required.
- 52 The WLC reported that a 'Mystery Shopper' survey of the service and a Welsh language thematic review of three departments was conducted. The review discovered that some public forms were not available bilingually and a plan was implemented to resolve this. A review has been initiated of all other departments' Welsh language provision in order to prepare for the introduction of the Welsh Language Standards. The Welsh Language Officer is included in internal consultations on new policies or procedures. There was an increase in the number of Welsh speakers who cover reception but Welsh speakers were not appointed to two of the 'Welsh essential' posts in Fire Control. The Authority explained that this was because no Welsh speakers met the 'control' requirements of the posts. Welsh speakers within the workforce were trained to mentor learners and help them to become more confident in their Welsh language skills. The service continues to try and reach its target of ensuring that all its signs are bilingual. It has committed to completing this work by the end of March 2015.

Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority’s likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority’s track record of improvement. The Auditor General will summarise his audit and assessment work in a published annual improvement report for each authority (under section 24).

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2 – Audit of South Wales Fire and Rescue Authority’s 2014-15 Improvement Plan

Certificate

I certify that I have audited South Wales Fire and Rescue Authority’s Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Authority has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Authority and the Auditor General

Under the Measure, the Authority is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Authority to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Authority is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Authority has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Authority’s auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Authority has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Authority can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Authority's Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Authority had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Huw Vaughan Thomas
Auditor General for Wales

CC: Lesley Griffiths, Minister for Local Government and Government Business
Lisa Williams, Performance Audit Lead

Appendix 3 – Audit of South Wales Fire and Rescue Authority’s assessment of 2013-14 performance

Certificate

I certify that I have audited South Wales Fire and Rescue Authority’s (the Authority) assessment of its performance in 2013-14 in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Authority has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Authority and the Auditor General

Under the Measure, the Authority is required to annually publish an assessment which describes its performance:

- in discharging its duty to make arrangements to secure continuous improvement in the exercise of its functions;
- in meeting the improvement objectives it has set itself;
- by reference to performance indicators specified by Welsh Ministers, and self-imposed performance indicators; and
- in meeting any performance standards specified by Welsh Ministers, and self-imposed performance standards.

The Measure requires the Authority to publish its assessment before 31 October in the financial year following that to which the information relates, or by any other such date as Welsh Ministers may specify by order.

The Measure requires that the Authority has regard to guidance issued by Welsh Ministers in publishing its assessment.

As the Authority’s auditor, I am required under sections 17 and 19 of the Measure to carry out an audit to determine whether the Authority has discharged its duty to publish an assessment of performance, to certify that I have done so, and to report whether I believe that the Authority has discharged its duties in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information. Other assessment work that I will undertake under section 18 of the Measure may examine these issues. My audit of the Authority's assessment of performance, therefore, comprised a review of the Authority's publication to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the assessment complied with the requirements of the legislation, and that the Authority had regard to statutory guidance in preparing and publishing it.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Huw Vaughan Thomas
Auditor General For Wales

CC: Leighton Andrews, Minister for Public Services
Steve Barry, Manager

Appendix 4 – Annual Audit Letter

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

Dear Huw

Annual Audit Letter – South Wales Fire Authority 2013-14

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor 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 29 September 2014, 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 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 members of the Audit Committee in my Audit of Financial Statements report on 15 September 2014, and a more detailed report will follow in due course.

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 as part of the Improvement Assessment 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.

I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2014.

The financial audit fee for 2013-14 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely

Anthony Barrett, Appointed Auditor

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

INTERNAL AUDIT REPORT

SUMMARY

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

RECOMMENDATION

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

1. BACKGROUND

- 1.1 As Members will be aware, TIAA Ltd are appointed as the Authority's Internal Auditors to undertake work covered in the Internal Audit Plan 2015/2016 which was approved by this Committee on 9 March 2015.
- 1.2 As previously agreed, all audit reports with an assurance level of limited or no assurance will be provided in full. Recommendations only will be provided for reports with an assurance level of substantial or reasonable.

2. ISSUE

- 2.1 Good progress of internal audit reviews has been made with three final reports being issued. The areas covered are Governance Performance Management, Asset Registers, and Pension Scheme Admin. Scopes have been prepared for other areas and the Summary Internal Audit Progress Report written by TIAA Ltd is attached as Appendix 1.

2.2 Governance Performance Management

- 2.2.1 This audit reviewed the arrangements in place for the collection and reporting of strategic and core performance indicator data in accordance with the Welsh Government's requirements. The review also considered the progress against recommendations made in the 2014/2015 report.
- 2.2.2 The audit received a reasonable assurance level with three recommendations, one important and two routine. There was also one area of operational effectiveness identified. One of the important recommendations was implemented immediately following the review.

2.3 Asset Registers

2.3.1 The review considered the identification of assets that need to be recorded in the Asset Register. Identification, locating and recording of assets; inventories' including the disposal of assets, were all reviewed. The category of assets reviewed included Fleet, ICT, Property, and operational equipment to ensure a consistent approach across the Service.

2.3.2 The audit received a reasonable level of assurance with two important recommendations and one routine. Two areas of operational effectiveness were also identified. Two of the recommendations were implemented following the completion of the audit.

2.4 Pension Scheme Admin

2.4.1 The audit considered the arrangements for the creation, amendment and deletion of pension records and payment of pensions. The review also considers compliance with the Firefighters Pension Scheme guidance to ensure correct treatment of ill health/injury award retirements.

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

3. EQUALITY RISK ASSESSMENT

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

4. RECOMMENDATION

4.1 That Members note the work and findings of the Internal Audit.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Appendix 1 – Summary Internal Audit Progress Report Appendix 2 – Governance Performance Management Appendix 3 – Asset Registers Appendix 4 – Pension Scheme Admin



South Wales Fire and Rescue Service

Summary Internal Audit Progress Report

2015/16

FINAL

August 2015

Summary Internal Audit Controls Assurance Report August 2015

INTRODUCTION

1. This Summary Report provides the Finance Audit and Performance Management Committee with an update on the Controls Assurance framework at South Wales Fire and Rescue Service as at 10th August 2015 following our work undertaken to date in 2015/16. The Summary Internal Controls Assurance report ('SICA') is based on the internal audit work carried out by TIAA and management representations that have been received during the period.

PROGRESS AGAINST THE 2014/15 ANNUAL PLAN

2. Work for the Annual Plan for the year 2015/16 agreed at the Finance Audit and Performance Management Committee in March 2015. Our progress against the plan to 10th August 2015 is set out in Appendix A.

AUDITS CARRIED OUT

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

Review	Evaluation	Number of Recommendations		Final issued	1	2	3	OEM
		Draft issued	Responses received					
Performance Management	Reasonable	15/06/2015	24/04/2015	28/05/2015	-	1	2	1
Pension Scheme Administration	Substantial	24/06/2015	30/06/2015	03/07/2015	-	-	1	1
Asset Registers	Reasonable	24/06/2015	10/07/15	13/07/2015	-	2	1	2

CHANGES TO THE ANNUAL PLAN

4. Management have asked that we postpone the review of HR Management responsibilities until 2016/17 following an internal review currently being undertaken. We are in discussions about the scope for a specialist Health and Safety review to replace this in the Annual Plan 2015/16.

LIAISON MEETINGS

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

FRAUDS/IRREGULARITIES

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

PROGRESS IN ACTIONING PRIORITY 1 RECOMMENDATIONS

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

PERFORMANCE MONITORING

8. Three 2015/16 reports have been finalised as at 10th August 2015. The performance against targets for finalised reports to date are:

Achievement of the plan

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

Reports Issued

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

Recommendations

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

RESPONSIBILITY

9. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud. Reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

Appendix A

PROGRESS AGAINST THE ANNUAL PLAN FOR 2015/16

System	Planned Qtr	Current Status	Revised Qtr	Audit Observations
Governance - Performance Management	1	Final Report issued.	N/A	
Governance - Partnerships	1	Revised start date 14th September 2015.	2	Rearranged to quarter 2 at the request of Management
Risk Management – Assurance Mapping	1	Initial meeting held 27 th April 2015, further meeting planned 12 th August 2015.	1 - 4	This will be ongoing through the year.
Asset Registers	1	Final report issued.	1	
Pensions Scheme Administration	1	Final report issued.	1	
Purchasing Cards and Fuel Cards	2	Draft report issued 28 th July 2015.	2	
Station Visits	2	Draft report issued 22 nd July 2015.	2	
HR – Management responsibilities	2	Planned start date 13 th July 2015.	-	Deferred to 2015/16. In discussions regrading replacement specialist Health and Safety review.

Summary Internal Audit Progress Report – August 2015

System	Planned Qtr	Current Status	Revised Qtr	Audit Observations
New HR/Payroll System	3	Planned start date 7 th September 2015.		Date likely to move as implementation of the system not now planned until September.
Estates Management – Energy	3	Planned start date 28 th September 2015.		
Key Financial Controls	4	Planned start date 4 th January 2016.		
Follow Up	4	Planned start date 26 th January 2016.		

KEY:

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



South Wales Fire and Rescue Service

Compliance Review of the Performance Management Arrangements

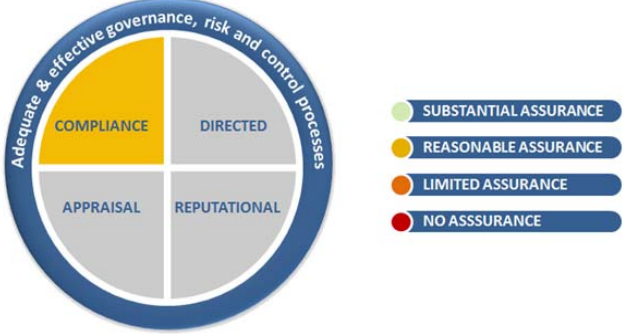
2015/16

FINAL

July 2015

Compliance Review of the Performance Management Arrangements

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> • Two Indicators were submitted to the Welsh Government’s Data Collection Unit after the target deadline for completion (FRS/RRC/C/006 and FRS/CHR/C/004). • FRS/CHR/C/004 could not be verified due to the weakness identified within process for collating the data. 								
<p>SCOPE</p> <p>The review considered the arrangements for collection and reporting of Strategic and Core Performance Indicator data in accordance with the Welsh Government’s requirements. The review also considered any recommendations made in the 2014/15 report. The Wales Audit Office will provide a checklist in accordance with their requirements for testing.</p>	<p>ACTION POINTS</p> <table border="1" data-bbox="1137 1015 2020 1182"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>1</td> <td>2</td> <td>1</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	-	1	2	1
Urgent	Important	Routine	Operational						
-	1	2	1						

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	<p>Verification cannot be given for FRS/CHR/C/004. Data is collated through a labour intensive process of exporting data from the Service's HR system into an Excel spreadsheet.</p> <p>A discrepancy of 197 days was identified initially which was later resolved but it demonstrated the weakness in the system for collating sickness absence figures and the margin for error.</p>	SWF&RS to address the weaknesses identified in the process for collating data to support and verify the submission to the Data Collection Unit for Performance Indicator FRS/CHR/C/004.	2	<p><i>An incorrect sickness end date was entered for one employee when the electronic sickness form was submitted. The incorrect figure spanned almost a year. This was identified by comparing duplicates of pay numbers and looking for overlaps of dates.</i></p> <p><i>This is why we have introduced a checking element with the Stats Team to help us identify anomalies.</i></p>	This is an ongoing process of checks when producing sickness stats.	Jannette Nancarrow HR Manager Attendance Management

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	Compliance	Actual performance against each of the targets was confirmed to have been reported to the Welsh Government on 29 May 2015 with the exception of FRS/RRC/C/006 and FRS/CHR/C/04. Both of which were submitted during the audit visit; FRS/RRC/C/006 on 2 June and FRS/CHR/C/04 on 3 June. The Welsh Government's target deadline for completion was 29 th May 2015.	The SWF&RS is to put appropriate plans in place for future submissions of Performance Information to ensure the Welsh Government's Data Collection Unit receives all information in accordance with their deadlines.	3	<i>The two indicators were reported to Welsh Government after the initial due date but Stats Wales had been notified of the delay to our original submission. Email evidence of communication between the Stats and Risk Manager and Stats Wales was provided during audit to the audit team.</i> <i>The delays were caused by misinterpretation of the guidance document and personnel sickness absence. Reference to the notification email could be made in the 'Finding' field.</i>	The recommendation is noted and will be addressed in next year's submission plan.	Dai Morris Statistics & Risk 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.
----------	---------------	--	----------	------------------	--	----------	----------------	--

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	<p>Supporting evidence for FRS/CHR/C/004 2014/15 data was not found to be available in the expected shared folder on the SWF&RS system. The information was later found but did not correlate to the information submitted on the ASR as highlighted in the below table.</p> <p>At the time of the Audit members of the HR (Absence Management) Team were absent due to sickness.</p>	Evidence to support the submission of Performance Information should be held in an appropriate place that is accessible and easily identifiable to members of the HR Team.	3	<i>This has been addressed and the information has now been moved to the Team drive.</i>	This has been addressed.	Jannette Nancarrow HR Manager Attendance Management

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	Compliance	Clarification to be sought from the Data Collection Unit regarding the anomalies in the carry over performance indicator figures for last year's submission (2013/14).	<i>An email was received from Stats Wales Data Collection Team which was presented to the audit team identifying that the reason the figures change are adjustments made to the mid year population figures. These are adjustments made on the Stats Wales Data Base. The email from Stats Wales can be made available again if required?</i>

ADVISORY NOTE

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



South Wales Fire & Rescue Service

Assurance Review of the Asset Register Arrangements


2015/16

FINAL

July 2015

Assurance Review of the Asset Register Arrangements

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p>  <p>The diagram shows a central yellow circle labeled 'REASONABLE ASSURANCE' surrounded by a blue ring with the text 'Adequate & effective governance, risk and control processes'. To the right is a legend with four levels: SUBSTANTIAL ASSURANCE (light green), REASONABLE ASSURANCE (yellow), LIMITED ASSURANCE (orange), and NO ASSURANCE (red).</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> • There is no formal process in place for regular inventory checking of IT equipment. • Four of the items selected as part of the IT asset verification exercise undertaken by Internal Audit could not be located during the review. 								
<p>SCOPE</p> <p>The review considers the identification of assets that need to be recorded in the asset register, the identification, locating and recording of assets; inventories; and the disposal of assets. The assets reviewed will include fleet, IT, Property and operational equipment to ensure that there is a consistent approach across the service. The scope of the review does not include consideration of the purchasing, depreciation policies or insurance arrangements.</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>2</td> <td>1</td> <td>2</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	2	1	2
Urgent	Important	Routine	Operational						
0	2	1	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	Compliance	In the previous year, an exercise was undertaken to ensure laptop, notebooks, and tablet devices had appropriate encryption; as part of the process an asset check was undertaken to confirm that the relevant items of equipment were held and in use. There is, however, no formal process in place for regular inventory checking of IT equipment.	A programme of regular IT asset inventory checks be established (e.g. annually). The checks performed should include verification of the existence of the asset and the accuracy of the data held on the Service Desk system.	2	<p><i>A regular review of mobile assets will be undertaken every two years and for fixed assets every three years.</i></p> <p><i>An asset check is currently being undertaken on both mobile and fixed assets as part of the ICT Infrastructure Project.</i></p>	31/03/2016	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.
----------	---------------	--	----------	------------------	--	----------	----------------	--

Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	Four of the items selected as part of the IT asset verification exercise undertaken by Internal Audit could not be located during the review, these were Asset Numbers: 12819; 14344; 13838; and, 13732.	The items noted as not located be reviewed to ensure they are still held or have been disposed of according to the stated disposal procedures.	2	<i>The items:</i> <i>14344 – located and disposed of under WEEE disposal regulations</i> <i>12819,13838,13732 – These items were issued to a department and are now deemed to be technologically obsolete and will be removed from our asset list e.g. a camera that takes a floppy disk.</i>	09/07/2015	Service Manager
2	Compliance	Seven of the IT items selected as part of the asset verification exercise undertaken by Internal	ICT staff be given regular reminders on the importance of accurate, comprehensive	3	<i>ICT staff have been reminded of the need for accurate asset management</i>	09/07/2015	Head of ICT

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)
		Audit were identified but did not have the correct location updated on the service desk system, for example, the item had been moved to another location, re-allocated, or returned to IT and the service desk system not updated accordingly.	and timely data entry to the service desk system to ensure records are kept up to date and assets accounted for accordingly.		<i>and this will be further reinforced during the Infrastructure Project and at team meetings.</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.
----------	---------------	--	----------	------------------	--	----------	----------------	--

Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Compliance	Consideration be given to developing a building disposal procedure to help guide the closure of buildings. The procedure would include, for example, inventory checks to be performed prior to disposal, processes for disposal or transfer of fleet and IT and operational equipment, and ensuring the relevant asset inventories are updated accordingly.	<i>A draft 'surplus property checklist' has been prepared to set out the actions required when vacating an asset prior to disposal. This will include the preparation of a management plan for holding the vacant asset.</i>
2	Compliance	Consideration be given to purchasing a single asset management software package to manage all property-related needs, such as managing the property inventory, service requests, stock condition surveys and compliance requirements. It is acknowledged that there may be a cost consideration in purchasing a single asset management system, this may, however, be offset by reduced administrative costs through reduced data entry, system administration and training requirements.	<i>Based on the relatively small number of assets held by the Authority a single asset management package may not be cost effective. The asset list is currently maintained by the Property Strategy Manager in excel format. Property are however investigating the feasibility of acquiring a compliance focussed software package to improve the management of compliance data.</i>

ADVISORY NOTE

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



INTERNAL
AUDIT

South Wales Fire and Rescue Service

Assurance Review of the Pension Scheme Administration Arrangements


2015/16

FINAL

July 2015

Assurance Review of the Pensions Scheme Administration Arrangements

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p>  <p>The diagram shows a central green circle labeled 'SUBSTANTIAL ASSURANCE' surrounded by a blue ring with the text 'Adequate & effective governance, risk and control processes'. To the right is a legend with four categories: 'SUBSTANTIAL ASSURANCE' (green), 'REASONABLE ASSURANCE' (yellow), 'LIMITED ASSURANCE' (orange), and 'NO ASSURANCE' (red).</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> The review identified two slight errors in the calculation of assumed pay relating to maternity within the annual LGPS Schedule Summary Statement. Rhondda Cynon Taf County Borough Council were notified during the review. 								
<p>SCOPE</p> <p>The review considers the arrangements for: the creation, amendment and deletion of pension records and payment of pensions. The review also considers compliance with the Fire Fighters Pension Scheme guidance to ensure correct treatment of ill health/injury award retirements. The scope of the review does not include determination of pension rates, retirement and reappointment of staff and severance payments.</p>	<p>ACTION POINTS</p> <table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> <td>1</td> <td>1</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	-	-	1	1
Urgent	Important	Routine	Operational						
-	-	1	1						

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	The review identified two slight errors in the calculation of assumed pay relating to maternity within the LGPS Schedule Summary Statement. Discussion with the Pensions Liaison Officer noted that the errors were caused by not properly taking into account changes to Careers Average Revalued Earnings (CARE), further that generally a proforma calculation document would be produced but had not yet been developed. Rhondda	A proforma calculation document and supporting Standard Operating Procedure (SOP) be produced to assist and document the assumed pay calculation within the Schedule Summary Statement provided to Rhondda Cynon Taf County Borough Council.	3	<i>The Service agrees with the recommendation and has made changes to reconcile Service and RCT calculations for maternity. It is noted that the CARE calculation deadline is set for April 2016.</i>	31/3/2016	<i>Julia Thompson Pension Liaison Officer.</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 on Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		Cynon Taf County Borough Council were notified of the errors during the 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
1	Compliance	Consideration be given to also including the ASHE Table code as well as the description on the 'Assessment of Degree of Disablement' form.	<i>The recommendation will be added to the Service's processes.</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.

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

AGENDA ITEM NO 11
14 SEPTEMBER 2015

STATEMENT OF ACCOUNTS 2014/15

SUMMARY

The South Wales Fire & Rescue Authority (SWFRA) is required to adopt its Statement of Accounts for 2014/15 by 30 September 2015, by which date the External Auditor is also required to provide his/her opinion on the financial statements. This report and Appendix discharges those obligations.

RECOMMENDATION

That the Finance, Audit & Performance Management (FAPM) Committee note this report and scrutinise the Statement of Account for 2014/15 (provided electronically) and recommend to Fire & Rescue Authority their adoption.

1. BACKGROUND

- 1.1 The Statements of Accounts for 2014/15 must be approved by the Fire & Rescue Authority by the 30 September each year. Regulation 8B of the Accounts and Audit (Wales) (Amendment) 2010 requires authorities using the CIPFA Code of Practice, for the Responsible Finance Officer (RFO) to prepare accounts, certify them as presenting a “true and fair” view of the financial position on or before the 30 June of the relevant financial year. Retaining the involvement of an Audit Committee or other appropriate body is strongly suggested as good practice following the RFO certification. Whilst the accounts will not be “approved” at this stage, ownership and scrutiny of their content following certification provides an important part of the governance process.
- 1.2 Effectively, formal approval of accounts will be based on audited rather than draft accounts. Immediately before the accounts are approved they will also be certified again by the RFO.
- 1.3 As before, the External Auditor is required to audit the Statements of Accounts and report to the Authority by 30 September each year. This duty is typically discharged by the Statutory ISA260 Report. At the same time the Authority’s RFO is required to provide a letter of representation identifying the basis upon which he has completed and certified the accounts.

2. ISSUE

- 2.1 The Statement of Accounts for the 2014/2015 financial year was produced for the period from 1 April 2014 to 31 March 2015 and certified by me on 30 June 2015. In accordance with best practice, the Statement was presented and scrutinised by the Finance, Audit & Performance Management (FAPM) Committee at its meeting of 14 September.
- 2.2 In the period from 30 June the accounts have been subject to External Audit. The updated Statement of Accounts is now presented to Members with a recommendation that they be adopted. The ISA260 Report of the External Auditor identifying the findings of audit is included as another report on the agenda for the consideration of Members.
- 2.3 The external audit process has, in my view, been robust and I am grateful to the Auditors for their work. The external Auditor intends to issue an unqualified audit report on the financial statements. Their report is self explanatory and largely favourable but, as one might expect, there are a few issues subject to report.
- 2.4 Corrections made to the draft financial statements are contained within the external auditor's report, also on agenda.
- 2.5 It is normal practice for the External Auditor and the Wales Audit Office to require letters of representation from the Authority. A draft of these letters is included for consideration as an Appendix to the Auditors report.

3. EQUALITY RISK ASSESSMENT

- 3.1 There are no Equality and Diversity impacts resulting directly from this report. Equality and Diversity risk assessments will have been undertaken by the Officer responsible in each department during the course of year as part of their departmental and spending plans.

4. RECOMMENDATION

- 4.1 That the Finance, Audit & Performance Management (FAPM) Committee note this report and scrutinise the Statement of Account for 2014/15 (provided electronically) and recommend to Fire & Rescue Authority their adoption.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Statement of Accounts

Appendix

This will be provided Electronically

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

AGENDA ITEM NO 12
14 SEPTEMBER 2015

**AUDIT OF FINANCIAL STATEMENTS – REPORT TO THOSE CHARGED
WITH GOVERNANCE (AUDIT OF FINANCIAL STATEMENTS REPORT)**

SUMMARY

The Appointed Auditor is required to give their opinion on the true and fairness of the financial statements for the year ended 31 March 2015.

RECOMMENDATION

That Members consider the Audit of Financial Statement Report of the Appointed Auditor shown at Appendix 1 to this report.

That Members note the letters of representation included in the Audit of Financial Statement Report and delegate authority to the Treasurer for these to be reviewed and finalised on behalf of the Authority.

1. BACKGROUND

1.1 South Wales Fire & Rescue Authority is responsible for the preparation of financial statements that present a true and fair reflection of its financial position as at 31 March 2015, and its income and expenditure in the year then ended. The Appointed Auditor is required to give their opinion on the accuracy and fairness of these statements.

2. ISSUE

2.1 The Treasurer approved the draft Statement of Accounts on the 30 June 2015 and these were presented to the Finance, Audit & Performance Management Committee on the 14 September 2015.

2.2 The audit has been completed by K.P.M.G and their report is attached in Appendix 1. There were a small number of changes required to the Statement of Accounts, and these are identified in the attached Wales Audit Office (WAO) report. All have been agreed, and the amendments duly made.

2.3 None of the amendments were regarded as material, and the overall opinion on the report is favourable.

2.4 It is normal practice for the External Auditor to require a letter of representation from the Authority. A draft of this letter is included for consideration within the Audit of Financial Statement Report.

3. EQUALITY RISK ASSESSMENT

- 3.1 There are no Equality and Diversity impacts resulting directly from this report.

4. RECOMMENDATION

- 4.1 That Members consider the Audit of Financial Statement Report of the Appointed Auditor shown at Appendix 1 to this report.
- 4.2 That Members note the letters of representation included in the Audit of Financial Statement Report and delegate authority to the Treasurer for these to be reviewed and finalised on behalf of the Authority.

Contact Officer: Geraint Thomas Head of Finance & Procurement	Background Papers: International Standards on Auditing (ISA) 260
--	--



Audit of Financial Statements Report and Management Letter

South Wales Fire and Rescue Authority

Audit year: 2014-15

Issued: September 2015

Document reference: SWFRA2015

Purpose of this document

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

Handling prior to publication

This document and the copyright comprised therein is and remains the property of the Auditor General for Wales. It contains information which has been obtained by the Auditor General and the Wales Audit Office under statutory functions solely to discharge statutory functions and has been prepared as the basis for an official document that may be issued or published in due course. It may also contain information the unauthorised disclosure of which may be an offence under section 54 of the Public Audit (Wales) Act 2004. Except as expressly permitted by law, neither the document nor any of its content may be reproduced, stored in a retrieval system and/or transmitted in any form or by any means, or disclosed to any person other than the original recipient without the prior written permission of the Wales Audit Office. It must be safeguarded at all times to prevent publication or other improper use of its content. Unauthorised use or disclosure may result in legal proceedings. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

Status of report

This document has been prepared for the internal use of South Wales Fire and Rescue Authority as part of work performed in accordance with the statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

This audit was delivered by KPMG LLP on behalf of the Appointed Auditor. The audit team comprised Virginia Stevens (Financial Audit Engagement Lead), Katherine Spooner (Financial Audit Manager) and Elin Simes (Auditor).

Contents

This document summarises the conclusions on the 2014-15 audit including our recommendations for the year. The Auditor General intends to issue an unqualified audit report on your financial statements.

Summary report	
Introduction	4
Status of the audit	4
Proposed audit report	5
Significant issues arising from the audit	5
Recommendations arising from our 2014-15 audit work	7
Independence and objectivity	7
Appendices	
Final Letter of Representation	8
Proposed audit report of the Auditor General to South Wales Fire Authority	11
Summary of corrections made to the draft financial statements which should be drawn to the attention of the Authority	13
Recommendations arising from our 2014-15 audit work	14

Summary report

Introduction

1. The purpose of this report is twofold:
 - to set out for consideration the matters arising from the audit of the financial statements of South Wales Fire and Rescue Authority (“the Authority”), for 2015, that require reporting to those charged with governance, in time to enable appropriate action; and
 - to formally communicate the completion of our audit and capture the recommendations arising from our audit work for the year.
2. The Auditor General’s responsibilities were set out in our audit plan along with your responsibilities as those charged with governance; we do not repeat them in detail again here.
3. We confirm we have undertaken the audit as planned and our performance against the agreed measures and the proposed fee is in line with our planning document. We have no other issues to report to you other than in this report.
4. We are particularly grateful to South Wales Fire and Rescue Authority and staff for their assistance, good quality working papers and draft accounts provided during the course of our audit.
5. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of South Wales Fire and Rescue Authority at 31 March 2015 and its income and expenditure for the year then ended.
6. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
7. The quantitative levels at which we judge such misstatements to be material for South Wales Fire Authority are £808,000 for income and expenditure items and working capital balances, and £808,000 for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

Status of the audit

8. We received the draft financial statements for the year ended 31 March 2015 on 3 July 2015, in advance of the agreed deadline of 17 August 2015, and have now substantially completed the audit work.
9. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Chris Barton (Treasurer), Geraint Thomas (Head of Finance and Procurement) and Lisa Mullan (Principal Accountant).

Proposed audit report

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

Significant issues arising from the audit

Uncorrected misstatements

12. There are no misstatements identified in the financial statements which remain uncorrected.

Corrected misstatements

13. There are two corrected misstatements which we consider should be drawn to your attention, due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

There were also a number of presentational and numerical changes to the financial statements, none of which had an impact on the Comprehensive Income and Expenditure Statement and Balance Sheet.

Other significant issues arising from the audit

14. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.**

Generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. However, there is a need to consider the frequency of the Authority's valuation of its property portfolio to ensure that the processes followed ensure, and can demonstrate, that the carrying value of assets is not materially different to fair value (see corrected audit misstatement in [Appendix 3](#) and recommendation in [Appendix 4](#) for further detail).
- **We did not encounter any significant difficulties during the audit.**

We received information in a timely and helpful manner and were not restricted in our work.

- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**

Key financial statement audit risk	Findings
Management override of controls	<ul style="list-style-type: none"> • We used a risk based approach to select journals made throughout the year and tested these back to supporting documentation. • We reviewed accounting estimates including provisions and depreciation to assess if there were any management biases. • We did not identify any significant transactions which were outside of the normal course of business.
Valuation of the Fire fighter Pensions Scheme and the Local Government Pension Scheme, of which South Wales Fire and Rescue Authority is a member	<ul style="list-style-type: none"> • We have reviewed the information provided by the pension scheme actuary and confirmed that the Statement of Accounts appropriately reflected this information. • We reviewed the data provided by the Authority to the actuary to confirm its accuracy. • We liaised with the Appointed Auditor for the pension scheme to gain assurance over the data and process undertaken by the scheme on the Authority's behalf. • We concluded that the pension liability was fairly stated at the year-end with no adjustments proposed to the balance.

- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that we have not reported to you already.**

We report any significant control deficiencies where you are not already aware of them or where they may be symptomatic of broader weaknesses in the overall control environment, in [Appendix 4](#). Three non-material weaknesses and potential area for improvement regarding internal controls has been identified here.

- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2014-15 audit work

15. The recommendations arising from our audit work are set in [Appendix 4](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next years report.

Independence and objectivity

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

Appendix 1

Final Letter of Representation

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff Bay
CF10 4AX

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

30 September 2015

Representations regarding the 2014/15 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of South Wales Fire and Rescue Authority and the Fire Fighters Pension Fund for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and Code of Practice on Local Authority Accounting in the United Kingdom 2014/15; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects South Wales Fire and Rescue Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions. There are no uncorrected audit misstatements.

Representations by South Wales Fire and Rescue Authority

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by South Wales Fire and Rescue Authority Finance and Performance Committee on 14 September 2015.

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

Signed by:

Chair of the Authority

Date:

Signed by:

Treasurer to the Authority

Date:

Appendix 2

Proposed audit report of the Auditor General to South Wales Fire and Rescue Authority

I have audited the accounting statements and related notes of:

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

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including of the Fire Fighter's Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of South Wales Fire Authority

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of South Wales Fire Authority as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on the accounting statements of Fire Fighter's Pension Fund

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

- give a true and fair view of the financial transactions of Fire Fighters Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

For and on behalf of

Anthony Barrett

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

30 September 2015

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Authority

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
Cr Land and buildings £712,000 Dr Revaluation reserve £152,667 Dr I&E £484,333 Dr Assets held for sale £75,000	Known	<p>At the year-end one property (Cefn Forest) was held in non-current assets at the amount it has been valued in the 2010 revaluation exercise. Per the Code of Practice it is stated that items within a class of property, plant and equipment should be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. Therefore it is not appropriate to value an asset based on a previous valuation.</p> <p>It was understood that the reason for the different valuation approach for this asset was due to the fact that the asset was expected to be sold by the year end, although the sale had not been finalised by 31 March 2015.</p> <p>International accounting standards states that an asset shall classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continued use. For this to be the case the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.</p> <p>The asset was sold shortly after the year end and is considered to meet all the above criteria at the year-end date. As a result an adjustment was posted to recognise the asset at the lower of its carrying amount or the fair value less costs to sell at the balance sheet date. The adjustment represents the impairment loss of £x which has now been recognised, being the difference between the carrying value and the net sales proceeds.</p>
Cr Land and buildings £3,000,000 Cr Revaluation reserve £9,521 Cr I&E £70,479 Dr Assets held for sale £3,080,000	Known	<p>Llanley Hall, the previous Authority headquarters, has been available for sale for a number of years. However, due to difficulties encountered in finding an appropriate buyer for this property the probability of sale of this asset has always previously been assessed as remote, therefore meaning it was reasonable to continue to recognise the asset as a non-current asset.</p> <p>At the year-end date a potential buyer had been identified and proceedings are currently underway to finalise the sale of this asset, with an initial deposit having been paid on the property. It would therefore be expected that sale of the property within the next twelve months is now probable and as such the asset should be recognised as a current asset held for sale at the year end.</p> <p>An adjustment has been proposed to reclassify the asset on the balance sheet, as the net book value of the non-current asset (carrying amount) is comparable with the fair value less costs to sell, this is primarily a reclassification on the balance sheet. In the 2015-16 financial year, until the point of sale, as a current asset this item will not be subject to depreciation.</p>

Appendix 4

Recommendations arising from our 2014-15 audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's Audit Report:

Matter arising 1 – Evidence of review retained to support authorisation of new suppliers	
Findings	<p>Where a new supplier is required by the Authority a new supplier form must be completed by the requester and following a number of new supplier checks to provide assurance that the new supplier is legitimate the supplier will be manually uploaded to the system and authorised.</p> <p>A sample of new suppliers forms were reviewed for evidence of appropriate authorisation prior to the supplier first being used by the Authority. Two instances were identified where there was no evidence of authorisation visible on the new supplier form retained by the Authority.</p>
Priority	Medium
Recommendation	The Authority should ensure all new supplier forms are authorised and evidenced by an appropriate signature to ensure an audit trail of authorisation is kept.
Benefits of implementing the recommendation	<p>Appropriate authorisation of new suppliers will provide assurance that public money is being spent wisely via relevant and appropriate suppliers.</p> <p>Retaining a clear audit trail will provide evidence that appropriate procedures have been adhered to by the Authority.</p>
Accepted in full by management	<i>Accepted</i>
Management response	<i>A process to ensure the authorisation of new suppliers has been introduced during the year.</i>
Implementation date	<i>As above.</i>

Appendix 4

Matter arising 2 – Appropriate authorisation of journal entries

Findings	<p>Journals are required to be prepared and authorised by two different individuals prior to posting. As part of our control procedures we reviewed a sample of 25 journals posted throughout the financial period for evidence of appropriate authorisation prior to posting. One instance was identified where the journal was prepared and reviewed by the same individual. Through inquiry with management it was understood that this arose due to a glitch in the newly implemented system which allowed the preparer to also then review the journal.</p> <p>This has subsequently been resolved and the system was reviewed to provide assurance that the workflow did not allow the journal to be authorised by the same person as the person who had originally prepared the journal.</p> <p>This issue is therefore not expected to recur in the future, however has been raised as an item to note.</p>
Priority	Low
Recommendation	The Authority should ensure there are appropriate procedures in place to ensure that individuals are aware of the processes whereby all journals should be prepared and authorised by different individuals. The Authority should obtain assurance that the processes embedded in the system are sufficiently robust to prevent individuals from preparing and authorising their own journals.
Benefits of implementing the recommendation	Segregation of duties in the preparation and authorisation of journal entries prior to posting will reduce the risk of fraudulent financial reporting or erroneous journal entries.
Accepted in full by management	<i>Accepted</i>
Management response	<i>As provided above findings</i>
Implementation date	<i>During the course of the financial year, resolved by the year end.</i>

Appendix 4

Matter arising 3 – Regular two way communication regarding valuation and classification of assets

Findings	<p>During the year end audit one asset was identified where the asset had not been revalued alongside all the other assets within the category as the property team considered the assets to be held for sale. This assessment had not been discussed between the finance team and the properties team and as a result the assets had not been reclassified as held for sale in the draft financial statements.</p> <p>International Accounting Standards state that revaluations should be performed with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. If an item of PPE is revalued the entire class should be revalued simultaneously to avoid selected revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.</p> <p>It is important that there is two way communication between the properties team and the finance team at the Authority to ensure that revaluations are performed in a manner which is compliant with the requirements of the Code of practice on local authority accounting and relevant International Accounting Standards. In addition, where assets are considered held for sale, appropriate assessments should also be undertaken by the finance function to ensure they meet the criteria set out in the relevant accounting standards and can therefore be excluded from any revaluation exercises.</p>
Priority	<p>Medium</p>
Recommendation	<p>The Authority should ensure there is sufficiently regular two way communication between the properties team and the finance team to ensure the approach to asset classification is appropriate for both the properties team and the finance team. A review of classifications should be embedded in to the year-end process to ensure the draft financial statements accurately capture the relevant non-current assets and current assets held by the Authority.</p> <p>Where any revaluations are performed the instructions sent to the valuer should be reviewed by both the properties team and the finance team prior to issuance to ensure they meet all the revaluation requirements.</p>
Benefits of implementing the recommendation	<p>Regular two way communication will ensure the work performed throughout the financial year is appropriate for both the properties team and the finance team and assessments made regarding the value of the asset, or classification of the asset, are appropriately reflected in the management accounts and financial statements.</p> <p>By ensuring there is regular communication this should ensure any impact on the comprehensive income and expenditure statement is identified on a timely basis and any potential impact on the Authority can be appropriately considered and managed.</p>
Accepted in full by management	<p><i>Accepted</i></p>
Management response	<p><i>An annual review has been built in to the year-end timetable and a new property checklist devised as a means of capturing relevant information.</i></p>
Implementation date	<p><i>The checklist was completed by 1 September 2015 and a copy provided to both property and audit.</i></p>

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@wao.gov.uk
Website: www.wao.gov.uk

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500
Ffacs: 029 2032 0600
Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk
Gwefan: www.wao.gov.uk

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

AGENDA ITEM NO 13
14 SEPTEMBER 2015

REVENUE BUDGET 2016-17 UDATE

SUMMARY

To outline progress on the preparation for the Revenue Budget for 2016-17 and to update Members of the Committee on communications between the Authority and constituent Councils in respect of the same.

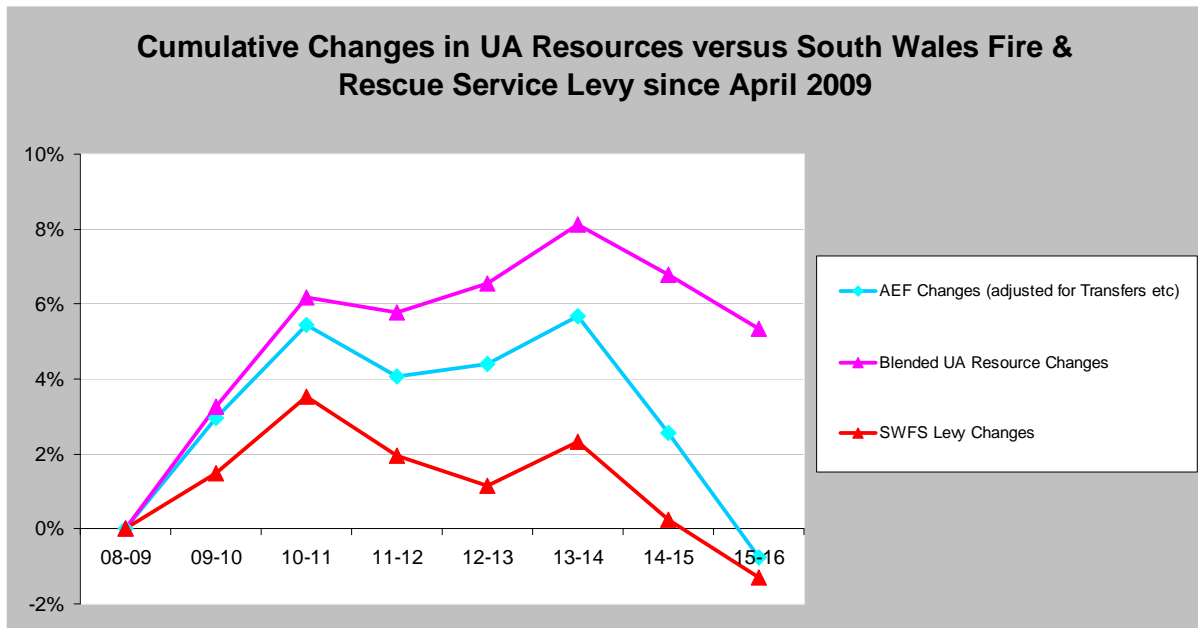
Further work will be necessary before a final budget position can be recommended for final consultation or approval.

RECOMMENDATION

That Members note progress to date and the correspondence with Constituent Councils

1. BACKGROUND

- 1.1 The Fire & Rescue Authority received a report on preparation of the revenue budget for 2016-17 in July together with an update of the Medium Term Financial Plan. This report outlined the challenges that existed over the next few years and set out the various planning assumptions for the short to medium term.
- 1.2 Following that meeting, Officers have been working on reviewing the growth assumptions in the budget, the potential for savings informed by the outturn for 2014-15 and also from other ongoing projects to delivery efficiencies.
- 1.3 Members noted that the one significant unknown in the budget was the likely settlement from Welsh Government to the constituent funding authorities in South Wales.
- 1.4 The Fire & Rescue Authority has always sought to match or reduce its budget based on the resources available to councils. The success of the Authority in achieving this goal is shown in the chart overleaf.
- 1.5 Over the period of austerity, the Authority's net budget has reduced by more than the reduction in the comparable net budgets of the constituent authorities.



2. PROGRESS ON REVENUE BUDGET

- 2.1 Further review of the assumptions in the MTF5 based on the outturn information for 2014-15 has highlighted a number of opportunities for reducing the base budget.
- 2.2 The Authority has consistently budgeted for staffing on a prudent basis and the 14/15 outturn and budget monitor for 2015-16 indicates that there is still scope to manage with a reduced budget. Service managers continue to effectively deliver services at this reduced level whilst maintaining service standards.
- 2.3 The pension fund contribution rates currently in force allow for a reduction in the annual budget for such costs.
- 2.4 Authority premises costs have been reduced as a result of disposals and this provides reductions in maintenance, energy, security, grounds and cleaning costs.
- 2.5 The return and re-use of clothing and uniforms continues to provide savings to the budget.
- 2.6 Transport, fleet and fuel costs continue to reduce in response to more effective use of vehicles. Further reviews are planned in respect of certain categories of fleet.
- 2.7 Review of the financial risk profile of the authority in light of the level of reserves held for specific projects allows a lower level of annual contingency.

- 2.8 Review of all base budget inflation factors has shown that many areas can absorb inflationary increases.
- 2.9 Work will continue to firm up all of these areas together with ongoing review of existing projects to determine appropriate levels of budget for the coming financial year.

3. COMMUNICATION WITH CONSTITUENT COUNCILS

- 3.1 As is normal practice within the Fire & Rescue Authority, dialogue with constituent councils has been maintained. In May, an update was sent to the councils on the background to the decision in setting the 2015-16 budget together with an analysis of how the change in the Fire budget compared favourably with the Welsh settlement position for the current year. A request for information on planning assumptions was made along with this correspondence. A very limited response was received to this request.
- 3.2 In July, the Authority received a request for an update on the budget preparation from one of the Councils. In response, an update was provided to all Councils outlining the position based on the report to July's Fire & Rescue Authority. The response (attached at Appendix 1) indicated that the "very worst case scenario" was a 1% increase in budget contributions but that every effort would be made to better this position. It was again reiterated that the Fire & Rescue Authority seeks wherever possible to mirror the Welsh Settlement for Local Authorities taking into account the local taxation funding stream available to councils.
- 3.3 On 18 August, a letter was received from Cardiff City Council (attached as Appendix 2) indicating that they were planning for a 3% reduction in funding in 2016-17 and requesting that the Fire & Rescue Authority reflects this in its planning assumptions.
- 3.4 To a degree, the MTFs of the Fire & Rescue Authority does reflect such an assumption as the best / base / worst scenarios already being worked on include such an assumption albeit nearer the worst case level, not the base case.
- 3.5 A 3% reduction in net budget equates to £2m per annum of savings on top of the requirement to absorb inflation and pressures within the Fire & Rescue Authority's own budget. Inflationary pressure in 2016-17 is assessed at approximately £2m. Such a reduction in the contributions budget would effectively double the pressure for budget savings delivery and would require the identification of a further round of savings in operational delivery.

4. BUDGET TIMETABLE

4.1 The remaining budget timetable is as follows:-

Meeting	Date	Purpose
Finance, Audit & Performance Management Committee	14 September 2015	Update of MTFS & 2016/17 budget report – This report
Joint Working Group	19 October 2015	“Firming” of MTFS & budget construction for consultation.
Chairman & Vice Chairman to meet Constituent Councils	TBC Early November 2015	Budget consultation with Constituent Councils
Joint Working Group	TBC Mid November 2015	To consider any issues arising from budget consultation
Finance, Audit & Performance Management Committee	23 November 2015	To receive consultation feedback and make contribution and budget recommendations
Fire & Rescue Authority	14 December 2015	Budget and contributions setting

5. FINANCIAL IMPLICATIONS

5.1 Financial implications are addressed within the body of the report.

6. EQUALITY RISK ASSESSMENT

6.1 The MTFS is a framework document rather than representing definitive proposals. It does however point towards increasingly difficult decisions that lie ahead, resulting in reduced revenue budget in real terms with equality impact needing careful assessment.

7. RECOMMENDATION

7.1 That Members note progress to date and the correspondence with Constituent Councils.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Report to July Fire & Rescue Authority on MTFS & Revenue Budget Outturn report 2014/15 to FAPM

Appendix 1

Email to Constituent Councils

Hi Gareth, apologies for not responding to your question sooner.

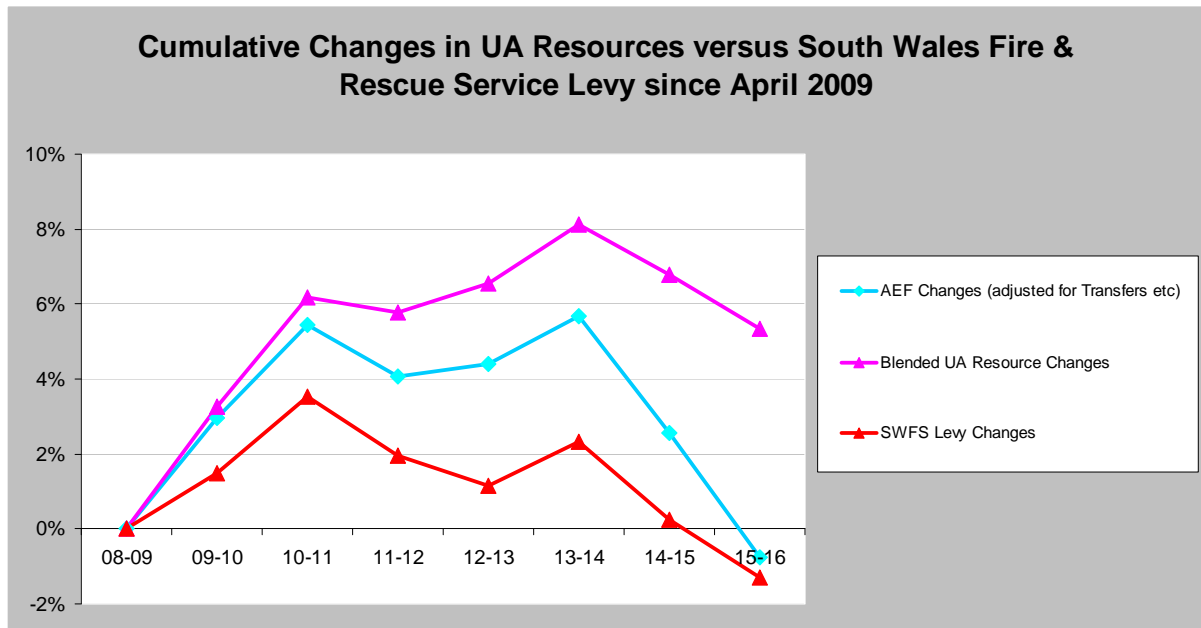
I did send some information around the 10 Treasurers a while back outlining my analysis of the position we reached for 2015/16 and similar to yourself, asked about planning assumptions that authorities were working on. I got a limited response so ploughed on, building our MTFP and budget on assumptions largely based around indexation of spending with a view to seeing what this produced.

As you will be aware, there are some significant cost drivers coming, not least in terms of employers' national insurance for instance. With a very significant proportion of our budget in the pay line, this is a big concern. The positive in the chancellor's statement around pay constraint has however helped.

A review of our own cost base at this early stage points to a **worst** case scenario of a 1% increase in contributions. This includes offsetting savings from the Fire Cover Review and a number of related projects which are underway to generate efficiencies. It also assumes that specific grant funding for community safety and related activities continues and that we will not be expected to pick up more of these costs as we were last year.

As you say, this is very early in the planning phase and we will make every effort to reduce the call on budgets as far as we can. In previous years we have sought to reflect the resource position faced by the authorities in the contributions set and this aspiration remains. Without clear funding parameters and information, it does however become more difficult to plan and achieve each year that goes by.

Members of the Fire Authority are very conscious of the call our budget makes on the authorities and each year we appraise them of the comparable position of the contributions budget, headline AEF resource changes and the effect of council tax income. The updated position for 2015/16 showed the following.



The key for Members is trying to keep the fire contributions (the red line) at or below the authorities' resources (the pink line) in the medium to long term. As I made clear in my communications last year, it is not simply a question of what Welsh Government imposes on authorities. It is also about the growing part Council Tax now plays in funding local services including fire services.

Part of my reason for asking the question about funding was to gain an understanding of what planning assumptions authorities have in place around AEF and Council tax and any information you can provide would be most welcome.

Finally I am also aware that the timetable for settlement appears to be slipping due to the CSR in the autumn. Despite this, the Authority at its meeting on 13th July, reiterated its desire to set an early budget to assist authorities in their planning. We will be developing the budget further through the remainder of the summer and into the autumn so I am hoping that more information will emerge from SWFRS around October. When anything might emerge from WG or Treasury I'll leave you to guess.

If there is anything else I can help with at this stage then please come back to me but I will keep you updated.

Copying Treasurers in so you are all in possession of this early update!

Chris Barton CPFA

Treasurer

My Ref:
Your Ref:

Date: 18th August 2015



County Hall
Cardiff,
CF10 4UW
Tel: (029) 2087 2087

Neuadd y Sir
Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088

Chris Barton
Treasurer
SW Fire & Rescue Service Headquarters
Forest View Business Park
Llantrisant
Pontyclun
CF72 8LX

Dear Chris

Re: Budget Strategy 2016/17 and the Medium Term Financial Plan

The City of Cardiff Council has been considering the Budget Strategy and Medium Term Financial Plan for the period up until March 2019. At our Cabinet meeting in July we approved our Budget Strategy Report for 2016/17 and the Medium Term and this document is available on the Council's website.

The Report sets out our robust approach to Reshaping Services which we have used to develop our Budget Strategy. This approach builds upon that previously adopted in identifying both the budget gap and the areas where savings may potentially be targeted. In the face of ongoing financial austerity the Council has identified savings drivers when considering budget targets and looked wherever possible to maximise business process efficiencies rather than impact on the services delivered to our customers. Over the last ten years the Council has identified savings of over £205 million to meet a combination of unfunded financial pressures and funding reductions.

The updated Medium Term Financial Plan identifies a Budget Reduction Requirement for 2016/17 of £47.378 million which increases to £116.908 million over the period to March 2019. This is predicated on increases in financial pressures of £80.430 million and estimated funding reductions of 3% which for the Council equates to £36.478 million. Scenario analysis, which includes increasing the Welsh Government funding reductions to 4.5%, increases the figure to £146 million.

For Cardiff achieving a balanced budget in 2016/17 will be extremely challenging. Beyond that date and particularly in relation to 2018/19 there is real potential for the Council to be unable to achieve a balanced budget unless radical decisions in respect of our policies and strategies are adopted.

Clearly, such circumstances require that we address all areas of our expenditure including the precepts, levies and contributions that the Council pays to other organisations. As one such body, I am contacting you to request that funding reductions of 3% are reflected in your financial planning processes. This is in line with the current estimate of our own funding reductions from Welsh Government.



From our own experience, I realise that this is likely to be a very challenging request and would be grateful if you could keep the Council up to date as relevant discussions take place.

This correspondence will also be circulated to all other contributing authorities.

Yours sincerely



Ian Allwood
Head of Finance – The City of Cardiff Council

Copy to:

Ness Young, Asst Chief Executive, Bridgend County Borough Council

Carys Lord, Head of Finance, Vale of Glamorgan Council

Christopher D Lee, Divisional Director of Finance, Rhondda Cynon Taff County Borough Council

Steve Jones, Chief Financial Officer, Merthyr Tydfil County Borough Council

Nicole Scammel, Head of Corporate Finance, Caerphilly County Borough Council

Dave McAuliffe, Head of Finance & Chief Financial Officer, Blaenau Gwent County Borough Council

Nigel Aurelius, Asst Chief Executive, Resources, Torfaen County Borough Council

Joy Robson, Head of Finance, Monmouthshire County Council

Meirion Rushworth, Head of Finance, Newport City Council

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

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
As required	Internal Audit Progress Report & Audit Action Updates	To provide an updated position of work performed against the internal audit plan and to highlight any significant issues arising from the internal audit work performed	DCO Contact Officer: Geraint Thomas	On agenda
As required	Performance Report	To scrutinise specific issues of performance identified and referred by Fire Authority	DCO Contact Officer: Steve Rossiter	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by Fire Authority	Andy Thomas Contact Officer: Steve Rossiter	
As required	WAO Reports	To advise Members of the conclusions of WAO Reports and to consider the implications for the Service	DCO Contact Officer: Sally Chapman	
29 June 2015	Revenue Outturn	To advise on total revenue expenditure for the year against the set revenue budget following the year end and to explain variations	Treasurer/DCO Contact Officer: Geraint Thomas	Completed

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

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

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

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
23 Nov 2015	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
23 Nov 2015	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
23 Nov 2015	Corporate Risk Register	To seek Members' views upon the Corporate Risk Register	DCO Contact Officer: Steve Rossiter	
23 Nov 2015	Revenue Budget Setting Report	To assist in determining the appropriate revenue budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officer: Chris Barton/ Geraint Thomas	
23 Nov 2015	Capital Budget Setting Report	To assist in delivering the appropriate capital budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officer: Chris Barton/ Geraint Thomas	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
23 Nov 2015	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO Contact Officer: Steve Rossiter	
7 March 2016	Treasury Management Strategy	To seek Member approval of the treasury management policy and strategy for the following financial year	Treasurer Contact Officer: Chris Barton/ Geraint Thomas	
7 March 2016	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
7 March 2016	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
7 March 2016	Internal Audit Programme	To outline the planned internal audit coverage for the financial year and to seek comment and approval	DCO Contact Officer: Sally Chapman/ Geraint Thomas	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
7 March 2016	Internal Audit Annual Report	To provide an opinion on the adequacy and effectiveness of risk management, control and governance processes based on the internal audit work undertaken during the financial year. This will support the statement of internal control.	DCO Contact Officer: Sally Chapman/ Geraint Thomas	
7 March 2016	Draft annual report of the work of the FAPM Committee and the discharge of the terms of reference of the Finance, Asset & Performance Management Working Group	To consider the draft report on the annual work of the Committee before its submission to the Fire Authority and to ensure the Authority has efficient use of resources and robust procedures in place to ensure and manage this	Chair of FAPM, Chair of Working Group & DCO Contact Officer: Sally Chapman	
7 March 2016	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO Contact Officer: Steve Rossiter	
7 March 2016	Scrutiny of Strategic Objectives 1, 4 and 5	To scrutinise progress in relation to achieving the actions planned to address each issue	All Directors	
9 May 2016	Corporate Risk Register	To seek Members' views upon the Corporate Risk Register	DCO Contact Officer: Steve Rossiter	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
9 May 2016	Scrutiny of Strategic Objectives 2 and 3	To scrutinise progress in relation to achieving the actions planned to address each issue	All Directors	
9 May 2016	Revenue and Capital Monitoring Reports	To provide an estimated overview of year end spend	DCO Contact Officer: Lisa Mullan	

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

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

1. Apologies for Absence
2. Declarations of Interest

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

3. Chairman's Announcements
4. To Receive the Minutes of:
 - Finance, Asset & Performance Management Working Group held on 13 April 2015 3
 - FAPM Meeting held on 29 June 2015 9
5. Revenue Monitoring Report 2015-16 15
6. Capital Monitoring Report 2015-16 23
7. 2014-15 Annual Treasury Management Review 31
8. Scrutiny of Strategic Objectives 2, 3 & 5 - **Presentation** 41
9. Wales Audit Office Annual Improvement Report 2014-15 63
10. Internal Audit Report 91
11. Statement of Accounts 2014-15 (Appendix will be provided electronically) 117
12. Audit of Financial Statements – Report to those charged with Governance (Audit of Financial Statement Report) 121
13. Revenue Budget 2016-17 Update 141
14. Forward Work Programme 149

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