

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, 13 December 2021 at 1030 hours

VENUE: To be held on Star leaf, access code: 4190812276

Please ensure you join the meeting 15 minutes prior to meeting time

**Any issues please contact
01443 232000 and ask for Member Services**

A G E N D A

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. Chairperson's Announcements
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 - Finance, Audit & Performance Management Committee held on Monday 20 September 2021 5
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12. To consider any items of business that the Chairperson deems urgent (Part 1 or 2) 129

Signature of Proper Officer:



MEMBERSHIP

Councillors:

M	Colbran	Merthyr Tydfil
M	Spencer	Newport
P	Drake	Vale of Glamorgan
S	Evans	Torfaen
W	Hodgins	Blaenau Gwent
A	Hussey	Caerphilly
S	Morgans	Rhondda Cynon Taf
V	Smith	Monmouthshire
D	White	Bridgend

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SOUTH WALES FIRE & RESCUE AUTHORITY

**MINUTES OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT
COMMITTEE MEETING HELD ON MONDAY, 20 SEPTEMBER 2021
VIA STARLEAF**

80. PRESENT

Councillor	Arrived	Left
S Evans (Chair)		Torfaen
M Colbran		Merthyr Tydfil
D White		Bridgend
P Drake		Vale of Glamorgan
A Hussey		Caerphilly
V Smith		Monmouthshire
M Spencer		Newport
S Morgans		Bridgend
W Hodgins		Blaenau Gwent

APOLOGIES

There were no apologies for absence.

NON ATTENDANCE

S Ebrahim	Cardiff
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OFFICERS PRESENT:

Mr G Thomas - Temporary Director of Corporate Services; Mr C Barton – Treasurer; Mrs L Mullan – Temporary Head of Finance & Procurement; Mrs S Watkins – Head of Corporate Support; Mr Jason Evans – Head of Risk Reduction, Ms H Cargill – TIAA;

81. UNITED KINGDOM RESCUE ORGANISATION FESTIVAL OF RESCUE 2021

The Head of Risk Reduction was pleased to advise of the success of the teams who took part in the United Kingdom Rescue Organisation Festival of Rescue 2021 held at Tyne and Wear Fire and Rescue Service over the weekend. The team from Bridgend were once again overall winners of the extrication challenge, with other teams/individuals also achieving the Best incident commander in the extrications challenge; 3rd best medic in the extrication challenge; Winners of the rope rescue challenge; Best incident commander in the rope rescue challenge; Best medic in the rope rescue challenge; Best

technical team; 2nd in the trauma challenge and 3rd in the heavy rescue challenge.

82. SMOKE ALARM QUERY

The Chair advised of a query he had received from a constituent regards the installation of smoke alarms requesting that they be screwed into place rather than stuck with tape. The Chair to forward the query to Mr Evans who will make contact with the constituent.

83. DECLARATIONS OF INTEREST

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

Cllr Hodges declared an interest advising that, on occasion, his firm provides transport services to one of the Authority's procured suppliers.

The Chair declared an interest advising he is on the Planning Committee for Torfaen County Borough Council.

84. CHAIR'S ANNOUNCEMENTS

There were no Chair's announcements.

85. MINUTES OF PREVIOUS MEETINGS

The minutes of the Finance, Audit & Performance Management Committee meeting held on 26 July 2021 were read and accepted as a true record of proceedings.

Further to Councillor Smith's query regards number of rescue dogs the Service has, the Head of Risk Reduction confirmed that the provision of rescue dogs is part of national resilience and are an All Wales asset. He believes there are two rescue dogs that can be called upon by the three Welsh fire and rescue services, these dogs are accommodated with their handler who is an officer with Mid and West Wales Fire and Rescue Service.

86. REVENUE MONITORING REPORT 2021/22

The Temporary Head of Finance & Procurement presented the Revenue Monitoring report 2021/22 which details the annual revenue budget and associated information for the year ending 31 March 2022, advising of the

projected £1.037m underspend which comprises of a £865k underspend on employee budget and £171k against non-employee related spending, which includes within these figures the overspend on grant funded initiatives which is currently forecast at £133k. She provided a detailed explanation of the most significant changes since the previous report.

Councillor Hodgins commented on the Welsh Government (WG) statement advising Authorities that they are required to utilise any spare funding to cover PPE costs.

The Temporary Head of Finance & Procurement advised that there are Covid directly related savings being achieved such as the reduction in travel costs and accommodation, it is an expectation from WG that the Authority would utilise these underspends in others areas of overspend.

Councillor White commented on the six month commitment from WG, querying whether WG can be approached to provide further commitment and support. The Temporary Head of Finance & Procurement advised that Covid related spending has reduced considerably, WG may extend although no commitment has been made as yet. She assured Members that this is not an area of concern and confirmed that regular contact is kept with WG in relation to continuation of funding.

The Temporary Director of Corporate Services confirmed that regular meetings are held between the Chair, Chief Fire Officer and WG officials where funding is discussed.

The Chair queried whether the rise in costs of equipment will have an impact on the training budget underspend. The Temporary Head of Finance & Procurement advised that the underspend within the Training budget is due to the reduction in training courses being delivered and the funds being re-directed elsewhere such as fuel. She confirmed that, although not currently a concern, if prices continue to rise then this could have an impact on the final year projection.

Councillor Smith queried apprentice attendance at Cardiff and Vale College.

The Temporary Head of Finance & Procurement advised that certain conditions need to be reached before some grants can be accessed. The Head of Risk Reduction added that there is a recall of costs from the apprentice levy, advising that firefighters commence as apprentices and the Service claims back costs from the provider. Cardiff and the Vale College provide some technical aspects of the role.

RESOLVED THAT

Members noted and agreed the content of the report.

87. CAPITAL MONITORING REPORT 2021/22

The Temporary Head of Finance & Procurement presented the Capital Monitoring Report for 2021/22 which provides details of the capital budget, transactions to date and the forecast year end position.

The Temporary Head of Finance & Procurement provided an update on some changes since the budget was set, including the Pontypridd project which will see an overspend of £212,000. There are also some additional works by Western Power to take place at Tonypany Station and there are delays being experienced at Penarth Station and Monmouth Station. She noted that, although the build of the Whitchurch USAR Centre of Excellence looks like an overspend, in fact it is being wholly funded by a grant from WG.

The purchase of land at New Inn is going ahead, possibly before Christmas. The Temporary Director of Corporate Services added that site investigations have been held at New Inn and all have come back satisfactory. Purchase is now underway which will likely take up to two months of negotiations and formal offer.

The Temporary Head of Finance & Procurement advised of the £696,000 overspend in relation to the vehicle Replacement Programme which is the highest ever known, adding that this is primarily due to the purchase of Prime Movers and rescue tenders.

The Chair commented on the rising costs of equipment and rescue tenders, which is out of the control of the Service.

RESOLVED THAT

Resolved that Members

- 87.1 note the budget and progress of capital schemes; and
- 87.2 approve the alterations and associated movements in funding.

88. MEDIUM TERM FINANCIAL STRATEGY 2021/22 – 2026/27

The Treasurer presented the Medium Term Financial Strategy 2021/22 – 2026/27, for Members' approval. He advised that the report includes budget projections based on the Authority's plans and strategies informed by the general financial and operational environment in which services are provided,

and confirmed that the Strategy indicates the Authority's cost base will increase by approximately 2% per annum.

The Treasurer commented on the recent government announcement advising of their intention to increase funding for social care and old age issues. This will see an increase in employee costs. Other projects affecting the budget include Job Evaluation, increase in training requirements, and increased rates for premises.

The Chair thanked the Treasurer for the comprehensive report, adding there are lots of lots of uncertainty and unknowns.

Councillor White queried pay rises and the impact these will have.

The Treasurer advised that when setting the budget last year, it was anticipated that uniformed staff would see an increase of 2.75%, the increase came in at 1.5% so there is a saving in the current budget. A 2% pay award was included for support staff, this is yet to be confirmed. He advised that currently the Authority pays the living wage and is considering the 'real living wage' as a potential issue, discussions will continue in the coming months.

Councillor Smith made reference to grants advising that South Wales Police do not make any contributions. The Treasurer confirmed there are no cross funding agreements in place with South Wales Police, but the Service works closely on a number of projects such as the Joint Control Room.

RESOLVED THAT

Members approved the Strategy as the basis for financial planning over the Strategy period.

REPORTS FOR INFORMATION

89. HEALTH CHECK OF PRIORITY ACTIONS AND Q1 PROGRESS AGAINST THE STATUTORY PI'S

The Head of Risk Reduction presented the report setting out a health check of priority actions and Q1 progress against the statutory performance indicators, advising that it has been an uncertain time for service delivery during the Covid pandemic.

He reported on the eight strategic themes that all have one or more objectives that the Service works toward. The Strategic Themes are: Keeping you safe; Responding to your emergency; Using technology well; Working with our

partners; Engaging and communicating; Valuing our people; Protecting our environment and Continuing to work effectively.

He advised there is a notable difference in types of incidents being attended, with the Service seeing an increase in assisting other agencies. This is an area that has been identified as not achieving target, but he added that attending these incidents is the right thing to do during such a difficult period so should be seen as a positive rather than negative.

The Chair thanked the Head of Risk Reduction for an excellent very informative report and explanation.

Councillor Smith made reference to applications that are currently with Monmouthshire County Borough Council. One relates to the Reservoir (water safety) and the other relates to an extension of licences to 12am at night, adding that she would like to see the Fire and Rescue Service being consulted.

She also commented on the high number of extrication incidents in the Monmouthshire area and queried whether they are occurring in any specific localities.

The Head of Risk Reduction advised that if fire and rescue services were consulted then an opinion would gladly be given. He advised that in relation to water safety, the Authority has a statutory duty for rescues from water. He advised of an event being held this month where Coroners have asked about water related deaths and injuries and what remit the fire and rescue services have. He confirmed that the statutory duty only covers certain activities, but confirmed the Service is proactive with its preventative activities adding that Road Practitioners are also training as Water Practitioners.

Regards extrication incidents in Monmouthshire, he did not have the specifics to hand but would say the Service has seen an increase as lockdown has eased. Also, whilst the number of Road Traffic Collisions (RTCs) decreased, support to victims of abuse increased.

The Chair queried whether collaboration with the Home Safety Team could take place, with them handing out leaflets for the food banks, etc. He also raised liaising with communities to get home safety visits up and running.

The Head of Risk Reduction advised that the Service is thankful for foodbank support, and confirmed that discussions are taking place regards ways to reach out to all within the communities. He added that the Community Safety team are in direct contact with the Elderly Persons Commissioner for Wales in relation to reaching the most vulnerable within our communities. He confirmed that partnership working has been discussed at G10 and local Group Managers are taking to PSBs to discuss partnership working.

The Chair also requested that all Fire and Rescue Authority members have sight of the statistics relevant to their authorities. The Head of Corporate Support agreed to share the information with all Fire and Rescue Authority Members.

The Chair queried whether the pantomime in relation to grass fires could be reinstated to schools. The Head of Risk Reduction confirmed that this will be reintroduced as the lockdown eases and Community Safety are allowed to visit schools.

Councillor Smith queried the wearing of body cameras and also a CD that had been produced some years ago by a number of teenagers in relation to the setting of refuse fires. The Head of Risk Reduction advised that the wearing of body cameras had been a trial although they are still worn for training purposes, adding that there had been considerable impact around data capture and storage. He confirmed that there are CCTV on appliances and the Service also has access to drones utilised for preventative and enforcement activities. He confirmed that he would investigate the redistribution of the CD.

Councillor White raised the issue of domestic abuse incidents within the Kenfig Hill area.

The Head of Risk Reduction advised that there is an on-call function within the Community Safety Team to protect properties that are fire targeted by abusive partners. He gave detail of the Momentum Programme which links in with refuges across the unitary authorities. The eight week programme is aimed at those who have suffered domestic abuse and seeks to build self-esteem and to provide positive male role models. The programme has seen some very positive results, with some individuals becoming fire cadets and also volunteers.

Councillor White advised that it has been enlightening over the last few years to learn what the Service does as well as attending fires and RTC's.

RESOLVED THAT

- 89.1 Members noted the Health Check of Priority Actions and Q1 Progress Against the Statutory Pi's;
- 89.2 the statistics be circulated to all Fire and Rescue Authority members; and
- 89.3 the Head of Risk Reduction investigate the redistribution of the Refuse Fire Setting CD as mentioned by Councillor Smith.

90. 2020/21 ANNUAL TREASURY MANAGEMENT REVIEW

The Temporary Head of Finance & Procurement presented the 2020/21 Annual Treasury Management Review and the results of treasury management activities for the ending 31 March 2021. She gave a detailed overview of the report, including capital expenditure and borrowing.

RESOLVED THAT

Members resolved to recommend that the Fire and Rescue Authority note the annual Treasury Management Review for 2020/21 and approve the actual 2021/21 prudential and treasury indicators.

91. AUDIT WALES FINAL AUDIT LETTER

The Temporary Director of Corporate Services presented the 'Notice of Certification of Completion of the Audit' from Audit Wales.

The Treasurer confirmed that the Auditor was experiencing issues with connecting to the meeting, but confirmed that they did not wish to raise any issues.

RESOLVED THAT

Members noted the contents of the Notice of Certification of Completion of the Audit' from Audit Wales.

92. CORPORATE RESILIENCE REPORT – SOUTH WALES FIRE & RESCUE AUTHORITY

The Temporary Director of Corporate Services presented the Corporate Resilience Report from Audit Wales.

He gave an overview of the contents of the report, particularly around Governance of the Fire and Rescue Authority, advising that Audit Wales are looking at resilience over the next five years around governance, collaboration, workforce and overall business continuity plans. He advised that there are a lot of positives to reflect on, unfortunately the report focussed more on the negative aspects. The auditors were not available for today's meeting, they will be in attendance at the Fire and Rescue Authority meeting taking place Monday 27th September 2021 where Members will have the opportunity to ask questions.

RESOLVED THAT

Members noted the content of the Corporate Resilience Report.

93. INTERNAL AUDIT REPORT

Ms H Cargill, Auditor from TIAA presented the Internal Audit Report which updates Members on progress being made against the Internal Audit Plan 2021/22.

She was pleased to advise the report is positive, with just some low priority recommendations relating to payment cards, and some minor suggestions in relation to performance management.

She confirmed that there are a further two reports currently in draft relating to Planning and Safeguarding, the reports on the Core/HR system is also being finalised. One change to the plan relates to a Death in Service audit that has been requested by senior management.

The Chair was pleased to note the positive reports, adding that this shows the due diligence of staff.

RESOLVED THAT

Members noted the internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2021/2022.

94. FORWARD WORK PROGRAMME

The Head of Corporate Support presented the Forward Work Programme for 2021/22.

RESOLVED THAT

Members noted the Forward work Programme for 2021/22.

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

There were no items of business that the Chairman deemed urgent (Part 1 or 2)

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SOUTH WALES FIRE & RESCUE AUTHORITY

MINUTES OF THE FINANCE, ASSET & PERFORMANCE MANAGEMENT SCRUTINY GROUP MEETING HELD ON MONDAY 18 JANUARY 2021, 10:30HRS VIA STARLEAF

14. PRESENT:

Councillor	Arrived	Left	
S Evans (Chair)			Torfaen
A Roberts		12:30	Rhondda Cynon Taf
L Brown			Monmouthshire
P Drake			Vale of Glamorgan
A Hussey			Caerphilly
D Naughton			Cardiff
R Shaw			Bridgend
V Smith			Monmouthshire
J Williams		12:30	Cardiff
M Spencer			Newport
H Jarvie			Vale of Glamorgan

APOLOGIES:

A Jones			Torfaen
S Bradwick			Rhondda Cynon Taf

NO ATTENDANCE

J Harries			Rhondda Cynon Taf
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OFFICERS PRESENT:- Ms Sally Chapman - Deputy Chief Officer & Monitoring Officer, Ms S Watkins - Head of Corporate Support & Deputy Monitoring Officer, Mr G Davies - Head of Operational Risk Management, Mr H Morse - Operational, Appliance & Equipment Team Leader, Mr J Carter - Statistics Unit Manager, Mr A Hibbard - Statistics and Risk Analyst

15. DECLARATIONS OF INTEREST

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

Councillor Naughton declared an interest in relation to his membership on the HR & Equalities Committee in light of the changes to the terms of reference of this group. The Deputy Chief Fire Officer explained that this is a personal interest that all Members have and will be recorded as such as all will be affected regardless of which committee they currently sit on.

16. CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

17. MINUTES OF PREVIOUS MEETING

The minutes of the previous Finance, Asset & Performance Management Scrutiny Group meeting held on 12 October 2020, were received and accepted as a true record of proceedings.

The Treasurer advised that in relation to Agenda Item 7: Medium Term Financial Strategy, Revenue & Capital Budget Setting, it was the intention to bring the consultation responses back to this meeting, but only one response has been received. If any formal responses are received in the meantime, these will be brought when the budget is considered by Finance, Audit & Performance Management Committee and Fire Authority.

18. OPERATIONAL AND PERSONAL EQUIPMENT STRATEGY, BUDGET AND PLANNING ASSUMPTIONS 2020-2025

The Head of Operational Risk Management introduced the Operational, Appliance & Equipment Team Leader (OAETL) who presented an update to Members in relation to the Operational and Personal Equipment Strategy 2020-2025. He added that 2020/21 is going to be a particularly busy year with the replacement of fundamental items of clothing and equipment.

- **Breathing Apparatus Sets (BAs)**

The OAETL advised that new BA sets have been received and have been in use since the launch which took place February 2020. The replacement of the old for new sets had to be completed within an eight hours period, which he was pleased to advise was successful; no mean feat considering this took place during the spate flooding conditions of last year.

He was pleased to report that the new sets have been received very well, and that there have been no major issues reported. He added that the three Welsh fire and rescue services are using the same sets.

- **'All Wales' Structural Firefighting Kit**

The OAETL confirmed the next big project to be delivered this year will be structural firefighting kit for firefighters. 80% of the kit has been received, with the outstanding 20% being received by the end of January,

at which time replacement will commence. It is anticipated South Wales will be the first Welsh fire and rescue service to move over to the replacement kit.

- **Helmets**

It is anticipated that the helmet rollout will coincide with the rollout of the structural kit.

- **Radios and Batteries**

Digital radios are now available and are replacing the old radios. They are compatible with the new Breathing Apparatus sets and aid communication in this vital area.

- **Thermal Imaging Cameras**

A new generation of thermal imaging cameras are being trialled with Mid and West Wales fire & rescue service, the trial is commencing today. These cameras are a vast improvement on those currently being used.

- **Replacement programme for hydraulic/E-draulic for RTC cutting equipment**

A planned replacement programme for hydraulic/E-draulic for RTC cutting equipment will commence in 2021, spread over a three year period. He added that this is a huge step forward in technology, and that battery as opposed to hydraulic is also being considered.

The OAETL confirmed that, although the Covid pandemic continues to be challenging he was pleased to confirm that it is still the intention to deliver for 2021.

Councillor Brown commented that the table is not easy to follow, the OAETL confirmed that a more user friendly format is being considered.

Councillor Evans queried whether an inspection and servicing programme is in place for fire kit, to ensure kit is used to its full capacity before renewing.

The OAETL confirmed that a robust monitoring programme is in place for all equipment via the Redkite system and that stations carry out testing on a daily basis. In relation to fire kit, replacement is based on number of washes, which is currently around 40 washes, this equates to an approximate lifespan of 10 years.

Councillor Smith queried whether the Service has one insurance policy that covers all or are there separate insurance policies for different areas.

The Deputy Chief Officer confirmed that there are a number of insurance policies in place, covering a number of different areas.

RESOLVED THAT

Members noted the report.

19. DEPARTMENTAL RISK REGISTER REPORT HEALTH CHECK 2020/2021, QUARTER 2

The Head of Corporate Support presented the Departmental Risk Register Report – Health Check for 2020-21, Quarter 2 which details how the Service is developing how departmental risk is managed.

Members noted that three risks have reduced in severity, whilst 30 remain the same. The Head of Corporate Support advised that as a number of risks are similar in nature, it has been decided to review risks as categories with a Heads of Service having responsibility for an individual category. Risk categories will be reviewed by the Heads of Service on a quarterly basis. It is envisaged that this will provide a better, holistic view of risks, and will allow sharing and learning amongst Heads of Service.

Councillor Shaw queried the symbols used within the charts, and how they indicate direction of travel. The Head of Corporate Support explained the symbols, noting that none of the risks have increased in severity. She confirmed that a legend of the symbols used will be added to future reports, as well as identifying how much a risk has reduced.

Councillor Brown queried why Risk 'DR CS002: Restructuring – Morale' is categorised under Corporate Services rather than HR. She also queried the Job Evaluation process and queried whether there has been an increase in sickness levels due to the restructure.

The Head of Corporate Support advised that Heads of Service had identified that the morale of staff within all departments will be affected by the Job Evaluation process, and confirmed that Head of HR will lead on this risk going forward. She advised that there is also a need to remain flexible, as one risk could be experienced within a number of departments.

Regards sickness levels, the Head of Corporate Support confirmed that levels of sickness across the organisation remain low considering Covid. The Deputy Chief Officer advised that the Executive Leadership Team

receive regular sickness updates, advising that there was a slight increase over the Christmas period, but this has now levelled out. She added that the Job Evaluation process is still ongoing, and that no formal discussions have been held as yet regards pay banding.

Councillor Naughton commented that it is positive that some risks have reduced but noted that the majority have stayed the same and queried the length of time these risks have remained the same. He also queried whether any actions are being taken to reduce the high risks by the next reporting cycle. The Head of Corporate Support confirmed that future reports will include the length a risk has been ongoing. Regards setting a target, this is not something that is done presently.

The Deputy Chief Officer advised that Building Maintenance has been identified as a high risk, and explained that the Property team consists of just four members of staff who also have a number of major projects they are dealing with such as Pontypridd and Tonypandy fire stations. She advised that a platform for displaying the data for checks on premises is currently being considered which will ease the burden on the team but reassured Members that the relevant statutory compliance checks were undertaken as required.

Councillor Smith expressed surprise that the Loss of CoreHR and Payroll systems is classed as a risk.

The Head of Corporate Support explained that the supplier of CoreHR is based in Ireland, and with potential Brexit implications, this was classed as a risk.

The Deputy Chief Officer advised that business continuity plans are in place for all functions. In relation to CoreHR, systems need to be in place in the event that CoreHR is not available at critical points, such as for payroll runs. She further explained that the Service entered into a joint procurement with Mid and West Wales Fire & Rescue Service for CoreHR, but due to differing requirements it has been decided to split into two separate platforms, allowing each Service to access parts of the system as they require. This should be completed by the end of the month.

20. INITIAL DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

The Head of Corporate Support presented the initial draft of the Annual Governance Statement to be included with the 2020/2021 Statement of Accounts, noting that this is an initial draft and will be changed in the final version presented to Members as part of the Statement of Accounts for

signing later in the year. A request was made to Members that they consider whether they would wish to make amendments to the document.

The Head of Corporate Support advised that Members will notice sections in red throughout the draft document, these are elements of assurance that still have to take place or are still awaiting key documents from Audit Wales to be able to make an objective assessment of achievement over the last 12 months.

Councillor Shaw queried whether the report will be come back to this Committee, and also queried whether personnel have received inoculations.

The Head of Corporate Support confirmed a second draft will be presented to the Fire & Rescue Authority in March. At that meeting Members will be asked to agree delegation for minor changes to be made. Regards inoculation of staff, she confirmed that members of staff who have volunteered to assist WAST have received inoculations via the WAST inoculation programme. The Deputy Chief Officer further confirmed that currently fire and rescue staff are not part of the Welsh Government inoculation programme for emergency workers, hence, no other staff members have received inoculation. She advised that correspondence has been sent to the Deputy Minister from the Chair and Deputy Chair urging Welsh Government to include firefighters within the programme.

Councillor Brown commented that in relation to biodiversity and carbon reduction, due to climate change there has been a significant demand in relation to flooding, yet this is not covered within the report. She also commented that she would also have expected changes in the constitution to be included, such as the need for virtual meetings.

The Deputy Chief Officer advised that it is a statutory duty for the fire and rescue service to respond to incidents of flooding, and confirmed that when planning new station builds environmental considerations are taking into account, including wherever possible locating stations outside of flood risk areas. Regards the constitution, the Deputy Chief Officer advised that the holding of virtual meetings is within emergency legislation so no changes are required in that respect at the current time.

Councillor Smith advised that within the report received from Audit Wales to Monmouthshire County Council an update on PSBs is included. She was pleased to confirm that the South Wales Fire and Rescue Service has been in attendance at every meeting of the Monmouthshire PSB and commended officers for their diligence.

The Head of Corporate Support thanked Members for their comments and ensured all comments will be included within the final report.

RESOLVED THAT

Members noted the content of the report, and thanked all involved for a very comprehensive report.

21. FUTURE TRENDS REPORT – 2020 UPDATE

The Statistics Unit Manager introduced the Statistics and Risk Analyst who provided an update to Members in relation to the May 2019 assessment of the future of Wales, specifically to the administrative area of South Wales Fire and Rescue Service, as a means to identify some of the challenges and opportunities the Service is likely to face with early indications of the ongoing impact of Covid-19.

Councillor Brown gave thanks for the very informative presentation and queried whether this could be reported to PSBs, with an action plan across all PSB areas. She also suggested linking in with local health boards in terms of obesity, missed operations etc.

The Deputy Chief Officer advised that a presentation will be given to the Senior Management Team at their next Planning day, after which this can be rolled out to PSBs via Group Managers. It was also confirmed that much of the data was taken from various external sources and elements would therefore be familiar to many partners.

RESOLVED THAT

- 21.1 Members agreed to retain the Future Trends 2019 report and updated 2020 report to assist in future planning and decision making; and
- 21.2 that future Trends are monitored and updated where necessary, the frequency of which being partially dependant on new third party research, as well as continuing to monitor Service incident type trends.

22. PROPOSED NEW TERMS OF REFERENCE FOR SCRUTINY COMMITTEE

The Deputy Chief Officer presented the report which proposes updated terms of reference for a newly formed Scrutiny Committee and provided an initial draft of reference for Members consideration.

She confirmed that due to the proposed restrictions on membership of this committee, the effect on the Finance & Audit Committee and the HR & Equalities Committee will need to be considered including amending the existing terms of reference for both committees.

The Deputy Chief Officer advised that the delivery of work will be via a Forward Work Programme and highlighted the five suggested areas that the Committee will need to consider in each municipal year as a minimum, to discharge its duties.

Councillor Evans queried whether the Service champions will be affected. The Deputy Chief Officer confirmed that, as Service champions are within the current scrutiny, further consideration will be required in relation to how that area of work is undertaken going forward.

Councillor Brown suggested adding a paragraph in relation to utilising funding as efficiently and effectively as possible, the Deputy Chief Fire Officer agreed to include within the terms reference.

RESOLVED THAT

Members considered the proposed new terms of reference, and recommended that the terms of reference be considered at the March meeting of the Fire & Rescue Authority.

23. FORWARD WORK PROGRAMME

The Deputy Monitoring Officer presented the Forward Work Programme for 2020/2021.

RESOLVED THAT

Members accepted the Forward Work Programme for 2020/2021

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

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

SOUTH WALES FIRE & RESCUE AUTHORITY

MINUTES OF THE FINANCE, ASSET & PERFORMANCE MANAGEMENT SCRUTINY GROUP MEETING HELD ON MONDAY, 11 OCTOBER 2021 AT 1030 HRS VIA STARLEAF

1. PRESENT:

Councillor	Arrived	Left	
L Brown (Chair)			Monmouthshire
D T Davies			Caerphilly
M Spencer			Newport
G Holmes			Rhondda Cynon Taf
A Hussey			Caerphilly
A Lister			Cardiff
S Malson			Torfaen
S Morgans			Rhondda Cynon Taf
D Naughton			Cardiff
R Shaw			Bridgend
V Smith			Monmouthshire
H Thomas			Newport
J Williams	1045		Cardiff

APOLOGIES:

D Ali	Cardiff
H Jarvie	Vale of Glamorgan

OFFICERS PRESENT: T/ACO Geraint Thomas – Director of Corporate Services; Mrs S Watkins – Deputy Monitoring Officer; Mr C Barton – Treasurer; Mrs L Mullan – T/Head of Finance & Procurement; Mr M Davies – Property Strategy Manager

2. DECLARATIONS OF INTEREST

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

Councillor Holmes declared an interest in agenda item number 5 due to his employment with an approved Building Inspector.

3. ELECTION OF CHAIR 2021/22

The Deputy Monitoring Officer informed Members that additional items were to be included on the agenda in order to appointment a Chair and Deputy Chair of the Scrutiny Group.

It was agreed that these items would be placed first on the agenda.

The Deputy Monitoring Officer invited nominations to be made for the appointment of Chair.

Cllr Hussey nominated Cllr Shaw. Cllr Shaw declined as he was unable to take up the post.

Cllr Brown reported that in the spirit of scrutiny, it is normal for an opposition party to take the chair, and Cllr Brown nominated herself; seconded by Cllr Naughton.

Members who were able to vote unanimously agreed the nomination.

The Deputy Monitoring Officer handed the meeting to the Chair.

RESOLVED THAT

Cllr L Brown was duly elected Chair of the Finance, Asset & Performance Management Scrutiny Group.

4. ELECTION OF DEPUTY CHAIR 2021/22

The Chair invited nominations to be made for the appointment of Deputy Chair.

Cllr Smith nominated Cllr Naughton; seconded by Cllr Williams.

Cllr Morgans nominated Cllr Holmes; seconded by Cllr Naughton who wished to withdraw himself from Cllr Smith's nomination.

Members voted and unanimously agreed the nomination.

RESOLVED THAT

Cllr G Holmes was duly elected Deputy Chair of the Finance, Asset & Performance Management Scrutiny Group.

5. CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

6. MINUTES OF PREVIOUS MEETING

The minutes of the Finance, Asset & Performance Management Scrutiny Group meeting held on 18 January 2020 were received and accepted as a true record of proceedings.

7. PROPERTY ASSET STRATEGY 2021/22

The Property Strategy Manager updated Members on the new Property Asset strategy which provides the clear principles, ethos and goals of the Service in the management of its property, including land and buildings. The Strategy is essential to enable property decisions to be made in line with the Strategic Plan.

The Property Strategy Manager explained the process for the completion of building conditions surveys, use of architects and the involvement of local authority inspectors and appointment of respective local authority building control.

Members raised questions on the relocation of New Inn, and the Property Strategy Manager advised that at this point in time there were no foreseen issues with the planning application. He added that an intensive search of the area had been conducted by the previous Property Strategy Manager, and negotiations are still ongoing with the land owner. The timescale for commencement of any works is 18-24 months. Any commitment with other emergency services in the meanwhile will allow for respective requirements to be built-in at the design stage. With regard to the highlighted congestion at the New Inn roundabout, the Property Strategy Manager agreed to raise this point when meeting with planners.

In response to Members' questions regarding collaborative sites, the Property Strategy Manager advised that Gwent Police withdrew from the Abergavenny project as they had considered it was not value for money and took the decision to look at alternative sites. With regard to Monmouth, the Service currently awaits commitment from Gwent Police and WAST at the end of this month. At Cowbridge, South Wales Police are due to move in imminently but there is currently no interest from WAST as their biggest challenge is the commitment of funds due to their funding model.

The Property Services Manager advised that he is currently writing the tender brief for appointment of contractors for installation of solar panels. The Service has been working with Welsh Government in development of a report on solar panels and the Service has committed to installation at Headquarters and Barry Fire Station by the end of the financial year. There may also be scope to consider installation at other sites within that timeframe.

The Director of Corporate Services added that in terms of New Inn, and other Service sites, one of the main considerations for improvement/refurbishment or consideration of alternative sites is the age and condition of the property together with the impact of the Fire Cover Review.

The Chair requested that Members' concerns regarding congestion at the New Inn roundabout be considered along with a reasonable alternative access within the constraints of the existing site.

RESOLVED THAT

- 7.1 Members approved the new Property Asset Strategy for 2021/22.
- 7.2 Officers will give due consideration to an alternative emergency access within the constraints of the existing site in conjunction with the local Highways Department.

8. PROPOSED NEW TERMS OF REFERENCE FOR SCRUTINY GROUP

The Director of Corporate Services brought Members' attention to the reiteration of the previous reports on the proposed new terms of reference for the Scrutiny Group.

Prior to further consideration of the proposals, the Chair suggested a further option be considered which would see ten Members of the HR & Committee; ten Members of the Finance, Audit & Performance Management Committee; seven Members of the Scrutiny Group plus three co-opted subject matter experts. The Director of Corporate Services advised that political balance will also need to be considered and maintained.

Following in-depth discussion and scrutiny of all options presented, all Members voted unanimously to refer the following proposals to the HR & Equalities Committee and the Finance, Audit & Performance Management Committee prior to making recommendation to the Fire & Rescue Authority:

- Chairs and Deputy Chairs of Fire & Rescue Authority or Committees are not able to sit on the Scrutiny Committee.
- Members of the FAPM Committee are not able to sit on the Scrutiny Committee.
- Members of the HR & E Committee are permitted to sit on the Scrutiny Committee.
- Invited co-opted subject matter experts as and when required.
- Reduce membership on the HR & Equalities Committee from 15 to 10 to take into consideration the additional workload and impact on Members who currently sit on more than one Committee.

9. APPOINTMENT OF MEMBER CHAMPIONS

The Director of Corporate Services requested Members to consider the appointment of Member Champions to the key asset management groups of the Authority.

Following discussion, it was agreed to defer the matter to the next meeting to take account of new Members as a result of the impending changes to the Group.

RESOLVED THAT

Members agreed to defer the appointment of Member Champions to the next meeting.

10. MEDIUM TERM FINANCIAL STRATEGY

The Treasurer provided Members with a reiteration of the report to the Finance, Audit & Performance Management Committee on 20 September 2021. This included budget projections based on the Authority's plans and strategies informed by the general financial and operational environment in which services are provided, and confirmed that the Strategy indicates the Authority's cost base will increase by approximately 2% per annum.

RESOLVED THAT

Members noted the Medium Term Financial Strategy.

11. REVENUE AND CAPITAL BUDGET SETTING 2022/23

The Treasurer provided a presentation on the Revenue & Capital Budget Setting for 2022/23.

In response to Members' queries, the Treasurer confirmed that revenue can be capitalised within reason where necessary, however, with regard to the budget figures for next year, it is unlikely that this will be the case and inflation assumptions will continue to be monitored.

In response to Cllr Naughton's query regarding investment to accelerate plans to move the vehicle fleet to all electric, the Director of Corporate Services advised that currently just one supplier has developed the appropriate technology for fire appliances but the replacement programme for environmentally friendly diesels is progressing. Currently, 20 light vehicles have been replaced and the charging infrastructure is set up at Headquarters and across six fire stations.

In response to Cllr Hussey, the Director of Corporate Services confirmed that whilst the Service does have some hybrid vehicles, it is not the preferred option due to the use of petrol.

RESOLVED THAT

Members noted the Revenue and Capital Budget Setting for 2022/23.

12. FORWARD WORK PROGRAMME 2020/2021

The Director of Corporate Services presented the Forward Work Programme for 2020/2021.

Cllr Naughton expressed concern regarding the date of the last meeting of the municipal year on 28 April 2022 due to the close proximity to the period of purdah.

RESOLVED THAT

12.1 Members accepted the Forward Work Programme for 2020/2021, subject to the inclusion of the Scrutiny Committee proposal report to the HR & Equalities Committee and the Finance, Audit & Performance Management Committee respectively.

12.2 Officers agreed to consider bringing forward the date of the 28 April 2022 meeting.

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

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

THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN**SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 5
13 DECEMBER 2021

FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TEMPORARY DIRECTOR OF CORPORATE SERVICES

**PROPOSED REFORMS AND NEW TERMS OF REFERENCE FOR
SCRUTINY COMMITTEE****THIS REPORT IS FOR DECISION**REPORT PRESENTED BY TEMPORARY DIRECTOR OF CORPORATE
SERVICES**SUMMARY**

Members will be aware that several reports on the proposed reforms and new Terms of Reference for the Scrutiny Committee have been presented to this Committee, the Finance, Audit & Performance Management Committee, and the Fire & Rescue Authority, for discussion and consideration.

RECOMMENDATIONS

That Members consider the Committee options outlined in paragraphs 2.4 and 2.5 within this report in further detail, to enable proposals to be presented back to the Fire & Rescue Authority.

1. BACKGROUND

- 1.1 Members will be aware that several reports on this matter have been presented to this Committee, the Finance, Audit & Performance Management (FAPM) Committee and the Fire & Rescue Authority (FRA).
- 1.2 At the Fire Authority meeting on 22 March, 2021, (minute attached to the report as Appendix 1), it was resolved that the issue would be referred back to this Committee, FAPM, and the Finance, Asset & Performance Management Scrutiny Group, for further consideration prior to proposals being reported back to the full Fire & Rescue Authority later in the Municipal Year.

2. ISSUES

- 2.1 Following the Fire Authority meeting in March 2021, where this matter was referred back through the relevant Committees, the Finance, Asset &

Performance Management Scrutiny Group reviewed and considered all previous proposals at their meeting on 11 October, 2021.

- 2.2 In line with previous recommendations for the Scrutiny Committee, it was agreed to maintain a Fire Authority Member only committee with co-opted subject matter experts to be invited as and when required. It was noted that this could potentially expand the diversity of the Scrutiny Committee, especially when including members from younger or minority representation groups.
- 2.3 The FAPM Scrutiny Group considered the proposal made by the FAPM Committee to combine the FAPM and HR & Equalities Committee into one single 'Resources' Committee made up of 10 Fire Authority Members.
- 2.4 The recommendation made by the existing FAPM Scrutiny Group for the future establishment of the Scrutiny Committee is as follows:-
 - Chairs and Deputy Chairs of Fire & Rescue Authority or Committees are not able to be on the Scrutiny Committee.
 - Members of the FAPM Committee are not able to be on the Scrutiny Committee.
 - Members of the HR & Equalities Committee are permitted on the Scrutiny Committee.
 - Invited co-opted subject matter experts as and when required.
- 2.5 An area of concern when considering the make-up of the Scrutiny Committee was the additional workload and impact on Members who currently sit on more than one Committee. Therefore, an additional proposal was made to reduce the number of Members on the HR & Equalities Committee from 15 to 10. Should this proposal be pursued, the Terms of Reference for this Committee would have to be amended and the political balance would have to remain across the reduced number of Members.
- 2.6 For information Members are reminded that the HR & Equalities Committee was initially only 5 Members, and was increased to 15 Members in 2009 due to the number of Appeal Panels at that time. The requirement for Members to sit on such appeals has subsequently been removed.

3. IMPLICATIONS

3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
No	No
Socio Economic Duty	No
Sustainability/Environment/Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

3.2 Regulatory, Strategy and Policy

Legal	No	Data Protection / Privacy	No
Financial	No	Health, Safety and Wellbeing	No
Procurement	No	Governance & Audit	No
Corporate Risk	No	Service Policy	No
Information Management	No	National Policy	No

3.3 Resources, Assets and Delivery

Human Resource and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	No

4. RECOMMENDATION

- 4.1 That Members consider the Committee options outlined in paragraphs 2.4 and 2.5 within this report in further detail, to enable proposals to be presented back to the Fire & Rescue Authority.

Contact Officer:	Temporary ACO Geraint Thomas Director of Corporate Services
Background Papers:	None
Appendices:	Appendix 1 – Fire & Rescue Authority Minutes Dated 22 March 2021

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APPENDIX 1**2. EXTRACT FROM FIRE & RESCUE AUTHORITY MINUTES DATED 22 MARCH 2021****56.6 PROPOSED NEW TERMS OF REFERENCE FOR SCRUTINY COMMITTEE**

The Deputy Chief presented the report that summarises the consideration that Members have given to the issue of reforming Fire & Rescue Authority (FRA) scrutiny with a view to making this more independent from key committee decision makers. The report proposes updated Terms of Reference for a newly formed Scrutiny Committee further to Members' consideration of an earlier report (12 October 2020) on proposed reform of FRA scrutiny. It highlights the likely knock on implications that such changes will have on the membership of other FRA committees and also considers an alternative proposal put forward by the FAPM Committee at their meeting last week on 15 March 2021. The alternate option involves merging the FAPM and HR & Equalities Committees into a single new resources committee of 10 members and increasing the membership of the Scrutiny Committee also to ten Members. The same rules as to not sitting on both the new resources committee and the Scrutiny Committee would apply.

Councillor Naughton expressed his concern regards overstressing of Members. He added that if committees were merged there would be an issue with balance plus some Members could be overworked. He expressed that he would wish to keep committees separate, with the Scrutiny Committee comprising of seven members with the option for three independent members to opt on.

Councillor Evans commented that membership only works if all Members attend meetings, advising that there is added pressure on other Members to make up the short fall. He felt that the new proposal would negate this going forward.

RESOLVED THAT:

Members agreed to refer the issue back to FAPM Scrutiny Committee, HR & Equalities Committee and FAPM Committee for them to consider both committee options in further detail and provide views back to a later Fire and Rescue Authority meeting'.

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THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN**SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 6
13 DECEMBER 2021

FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TEMP ASSISTANT CHIEF OFFICER CORPORATE
SERVICES**REVENUE MONITORING REPORT 2021/22****THIS REPORT IS FOR DECISION**REPORT APPROVED BY TEMP ASSISTANT CHIEF OFFICER CORPORATE
SERVICESREPORT PRESENTED BY TEMP HEAD OF FINANCE, PROCUREMENT &
PROPERTY**SUMMARY**

The Revenue Monitoring Report provides details of the annual revenue budget and associated information for the year ending 31 March 2022.

RECOMMENDATIONS

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

1. BACKGROUND

- 1.1 This report provides an update of the major changes affecting the revenue budget since the Finance, Audit and Performance Management (FAPM) Committee on 20 September, 2021.
- 1.2 Appendix 1 details the original budget, a revised budget to reflect authorised virements, grant funding, transactions to date i.e. Actuals, the forecast year end position and variance analysis, i.e. the over or under spend on the revised budget.
- 1.3 Appendix 2 charts the budget variances reported at each FAPM Committee reconciling to the most recent position.
- 1.4 The reserve statement at Appendix 3 presents the forecast year end position for scrutiny and financial planning purposes.
- 1.5 Appendices 4 and 5 detail grant funded initiatives and the impact on the revenue budget. All grant related transactions have been incorporated into the year end revenue position so as to present a full financial picture.

2. ISSUE / PROPOSAL

- 2.1 A forecast £1.516 million underspend comprises a £1 million underspend on employee and £500k on non-employee costs. This is an increase of £479k since previous reporting and includes a forecast overspend on grant funded initiatives of £158k, an increase of £25k since previous reporting.
- 2.2 The following narrative highlights the most significant changes since previous reporting.

2.2.1 EMPLOYEE COSTS - £151k increase in underspend

A £460k reduction in forecast employee and pension on-costs are due to vacancies generally and from retirements outpacing recruits. Retirees are generally more expensive than recruits as they are more likely to be higher in rank and are also members of the older 1992 pension schemes which have higher on-cost rates attached. Adding to this is an anticipated reduction in overtime costs.

The latest establishment figures shown below.

Establishment figures (FTE) as at September 2021

	Strength	Budgeted
WDS	804.30	792.00
RDS (100%)	350.60	426.40
Control	38.00	37.50
Support Staff	270.12	273.46
Fire Cadets	61.13	85.00
Auxiliary Reserve	64.00	84.00

Total Leavers & Joiners April 2021 to September 2021 (Headcount)

	Starters	Leavers*
Control	0	2
Support Staff	6	10
RDS	41	38
WDS	17	21
Auxiliary Reserve	0	10
Fire Cadets	3	1
Volunteers	2	2
Total	69	84

*Includes new starters or leavers to the service, not additional contracts

The above decrease is offset by an increase in funded salary costs of £314k. Much of this is 100% funded although some shortfalls exist and more detail of this is provided in appendix 4 and 5.

The travel and subsistence budget has seen a further reduction of £14k due to the ongoing impact of Covid-19 and relates to mileage and accommodation claims. Savings identified as a result of the pandemic are offset against additional costs and this is reflected in the hardship grants claims to Welsh Government.

2.2.2 PREMISES COSTS - £16k increase in underspend

A £100k budget for a service charge for the smoxidyser at the compartment fire behaviour training complex (CFBT) was mistakenly included here and has been re-allocated to the Contracted Services budget heading, as detailed below. This reduction is offset by £25k grant funded expenditure, £12.4k of additional security costs for CFBT and an increase of £40k for Electrical Services. The latter relates to installation of electric vehicle (EV) charging points across various sites that was unbudgeted.

2.2.3 TRAINING COSTS - £53k increase in underspend

COVID-19 restrictions have continued to impact our training activity with less attendees on courses. Consequently, £34k of the learning and development department budget has been re-allocated to Supplies and Services and Contracted Services to cover unbudgeted costs, as detailed below.

2.2.4 SUPPLIES AND SERVICES - £60k increase in underspend

This budget heading covers numerous areas where there has been under and over spending.

The uniform budget is the main contributor to the underspend at £78k. There was an over estimate on new recruits accessing PPE as the WDS recruits course contained on-call staff who already had provision.

£30k was budgeted for the Emergency Services Day event which, due to Covid-19 restrictions, did not take place.

£15k budget intended for chair replacements has also been handed back as there is lack of demand with lots of personnel working from home.

The above has also impacted the stationary, text books and advertising budgets and reduced by £20k as more work is taking place electronically and online.

The above reductions are offset by an unbudgeted increases, £25k to replenish foam stock following an incident, £18k to purchase staff medals and coins to commemorate the Queens Platinum Jubilee

and £40k to purchase of operational equipment i.e. reciprocating saws and hose inflation kits. The latter were initially budgeted as part of a capital project and have been moved to revenue as part of a phased programme of replacement.

2.2.5 CONTRACTED SERVICES - £275k increase in overspend

Service charge costs for the Compartmental Fire Behaviour Training (CFBT) facility were originally budgeted under Premises however £100k has been reallocated here as this is where actual costs are being incurred.

As highlighted above £16k has been transferred from savings identified within Training to cover in year costs to support and review the standards for Investors In People. A further £16k has been reallocated from Supplies and Services. Grant funded costs have increased by £126k and additional funding is detailed in supporting appendices.

2.2.6 CAPITAL COSTS - £38k increase in underspend

The decrease is due to a reduction in the Minimum Revenue Provision (MRP) charge than previously forecast and is a result of capital projects completing in 2022/23. The MRP charge is dependent on the capital forecast which detailed within the capital monitoring report and Members will note, this has reduced since previous reporting.

2.2.7 INCOME - £446k additional

The additional funding is due to additional grant funding confirmed since previously reported, of £452k. Associated costs for this funding are both included within the above and the supporting appendices.

3. IMPLICATIONS

An overall projected underspend on the revenue budget equating to £1.516 million.

3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Well-Being Of Future Generations (Wales) Act	No
Socio Economic Duty	No
Sustainability / Environment / Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

3.2 Regulatory, Strategy and Policy

Legal	No
Financial	Yes
Procurement	No
Corporate Risk	No
Information Management	No
Data Protection / Privacy	No
Health, Safety and Wellbeing	No
Governance & Audit	No
Service Policy	No
National Policy	No

3.3 Resources, Assets and Delivery

Human Resources and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	Yes

4 EVALUATION & CONCLUSIONS

- 4.1 The revenue budget for 2021/22 is £77.5 million with a further £2.6 million of grant funding. The year end position is forecast at £78.5 million, providing an underspend of £1.516 million.

5 RECOMMENDATIONS

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

Contact Officer:	Lisa Mullan Head of Finance, Property & Procurement	
Background Papers	Date	Source / Contact
Capital Monitoring Report	2021/22	Head of Finance, Property & Procurement

Appendices	
Appendix 1	Revenue Monitoring 2021/22 (13.12.2021)
Appendix 2	Revenue Variances to Date 2021/22 (13.12.2021)
Appendix 3	Reserve Statement 2021/22 (13.12.2021)
Appendix 4	Grant Monitoring Report 2021/22 (13.12.2021)
Appendix 5	Grant Monitoring Report 2021/22 – Table (13.12.2021)

REVENUE MONITORING 2021/22
Appendix 1
Revenue Monitoring 2021/22 (13.12.2021)

SOUTH WALES FIRE & RESCUE SERVICE									
BUDGET MONITORING 2021/22									
	Original Budget 2021/22 £	Revised Budget (vired budget) 2021/22 £	Original Revenue Grant Funding 2021/22 £	Total Revenue Budget 2021/22 £	Actual Spend at 01.11.21 £	Revenue Forecast at 31.03.22 £	Over/Under Spend Against Revised Budget £	Over/Under Spend %	
Employee Costs									
Salaries, NI & superann.	61,347,710	61,347,710	1,202,728	62,550,438	35,666,965	61,665,035	885,403	1.1%	
Pensions (ill health)	945,879	945,879	0	945,879	370,732	894,632	51,247	0.1%	
Travel and Subsistence	428,000	428,000	0	428,000	113,219	348,510	79,490	0.1%	
Total Employee Costs	62,721,589	62,721,589	1,202,728	63,924,317	36,150,917	62,908,177	1,016,140	1.3%	
Premises Related Expenses	5,482,658	5,482,658	0	5,482,658	2,532,127	5,472,429	10,230	0.0%	
Training Expenses	1,617,663	1,617,663	71,572	1,689,235	219,845	1,612,958	76,276	0.1%	
Supplies & Services	4,844,733	4,844,733	816,331	5,661,064	3,307,767	5,755,422	-94,358	-0.1%	
Transport Related Expenses	1,403,000	1,403,000	29,189	1,432,189	852,023	1,451,182	-18,993	0.0%	
Third Party Payments (Contracted Services)	856,101	856,101	0	856,101	472,691	1,135,412	-279,311	-0.4%	
Capital costs / leasing	4,686,780	4,686,780	0	4,686,780	392,433	4,508,481	178,299	0.2%	
Contingency	0	0	0	0	0	0	0	0.0%	
Total Expenditure	81,612,524	81,612,524	2,119,821	83,732,344	43,927,804	82,844,061	888,283	1.1%	
Income									
Employee Related	-3,003,034	-3,003,034	0	-3,003,034	-1,569,871	-3,091,536	88,502	0.1%	
Lease Car Contributions	-81,500	-81,500	0	-81,500	-57,279	-96,005	14,505	0.0%	
Co-Location Re-imburement	0	0	0	0	0	0	0	0.0%	
Other Income	-997,901	-997,901	0	-997,901	-489,208	-1,071,102	73,201	0.1%	
Total Income	-4,082,435	-4,082,435	0	-4,082,435	-2,116,358	-4,258,643	176,208	0.2%	
NET BUDGET / FORECAST 2021/2022	77,530,089	77,530,089	2,119,821	79,649,910	41,811,446	78,585,419	1,064,491	1.4%	
Local Authority Contributions	-77,530,089	-77,530,089	0	-77,530,089	-46,757,028	-77,530,089	0	0.0%	
External Funding (WG)	0	0	-2,119,821	-2,119,821	-1,557,018	-2,571,362	451,541	0.6%	
OVERALL REVENUE OVER / UNDERSPEND							1,516,032		
Key									
Overspend									
Underspend									

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REVENUE MONITORING 2021/22
Appendix 2
Revenue Variances to Date 2021/22 (13.12.2021)

SOUTH WALES FIRE & RESCUE SERVICE									APPENDIX 2	
REVENUE BUDGET MONITORING 2021/22										
	Original Budget 2021/22 £	Revised Budget (vired budget) 2021/22 £	Original Revenue Grant Funding 2021/22 £	FAPM Forecast 20.09.21 £	FAPM Forecast 13.12.21 £	*	**	Cumulative Variances against Revised Budget	Summary on variances previously reported*	
	£	£	£	£	£	Variance at FAPM 20.09.21 to Revised Budget	Variance at FAPM 13.12.21 to FAPM 20.09.21	£		
Employee Costs										
Salaries, NI & superann.	61,347,710	61,347,710	1,202,728	61,810,173	61,665,035	740,265	145,138	885,403	* Vacancies against establishment Reduction forecast in Ill Health that budgeted Travel & Subs reduction due to impact of Covid-19	
	61,347,710	61,347,710	1,202,728	61,810,173	61,665,035	740,265	145,138	885,403		
Pensions (ill health)	945,879	945,879	0	886,365	894,632	59,514	-8,267	51,247		
Travel and Subsistence	428,000	428,000	0	362,438	348,510	65,562	13,928	79,490		
Total Employee Costs	62,721,589	62,721,589	1,202,728	63,058,975	62,908,177	865,341	150,799	1,016,140		
Premises Related Expenses	5,482,658	5,482,658	0	5,488,698	5,472,429	-6,040	16,269	10,230		
Training Expenses	1,617,663	1,617,663	71,572	1,665,821	1,612,958	23,413	52,863	76,276	* Budget reallocated to Supplies & Services	
Supplies & Services	4,844,733	4,844,733	816,331	5,815,562	5,755,422	-154,498	60,140	-94,358	* Overspends against HFS (grant funding). Supp & Maint (to support new ways of working) and increase in equip (inc PPE) offset by Annual Premiums being less than budgeted	
Transport Related Expenses	1,403,000	1,403,000	29,189	1,441,103	1,451,182	-8,914	-10,079	-18,993		
Third Party Payments (contracted services)	856,101	856,101	0	860,568	1,135,412	-4,467	-274,844	-279,311		
Capital costs / leasing	4,686,780	4,686,780	0	4,546,435	4,508,481	140,345	37,954	178,299	* Reduction in MRP forecast	
Contingency	0	0	0	0	0	0	0	0		
Income	-4,082,435	-4,082,435	-2,119,821	-4,263,971	-4,258,643	181,537	446,213	627,749	Cumulative totals include any variances in external funding since previously reported * SCAPE and Firelink funding have been confirmed as greater than budgeted. Increase in reclaim from MWWFRS as part of JC collaboration	
CONTRIBUTION BUDGET 2021/2022	77,530,089	77,530,089	0	78,613,192	78,585,419	1,036,717	479,315	1,516,032		
Key										
Overspend										
Underspend										

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REVENUE MONITORING 2021/22
Appendix 3
Reserve Statement 2021/22 (13.12.2021)

Reserve	Purpose and Control	Balance at year start	Transfers in and (out)	Balance at year end	Variations arising between budgeted and actual levels of reserves
General	To cover general financial risks including council funding, grants, inflation and interest.	-3,000,000	0	-3,000,000	
Managed under spends	To meet costs associated with rolling programmes of expenditure incomplete at year end. Controlled via routine budget monitoring procedures.	-43,646	0	-43,646	Spending against carry forward requests within revenue
Change Management	Costs of change arising from 'Shaping our 'Future' programme, investment in change projects to improve service and / or reduce spend.	-6,398,831	-1,616,032	-8,014,863	Forecast revenue overspend and transfer of annual joint control lease costs
PFI Equalisation	To meet future costs of the Training Centre PFI project	-3,683,169	176,061	-3,507,108	Current figures which may change slightly with indexation
Capital Receipts	To meet costs of the capital programme. Reserve applied as receipts are generated	-129,525	129,525		0 All capital receipts to be used on capital expenditure
Joint Control Lease Reserve	To meet the lease costs over an eight year period (from 2017/18)	-400,000	100,000	-300,000	Annual Joint Control lease costs
	TOTAL	-13,655,171	-1,210,446	-14,865,617	

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REVENUE MONITORING 2021/22
Appendix 4
Grant Monitoring Report 2021/22 (13.12.2021)

1. BACKGROUND

- 1.1 This report presents an update of the major changes affecting the grant budget since the last FAPM report in September 2021.

2. ISSUES

2.1 VARIANCES IN OVER / UNDERSPENDS

2.1.1 FIRE CRIME - £4.2k increase in forecasted overspend

Since the previous report in September there has been an increase in overtime payments and several members of Fire Crime have been upgraded from a Grade 7 to a Grade 9 following job evaluation which has impacted the honorarium payments. This has resulted in an increase in forecast of £4.2k.

2.1.2 ANTI-SOCIAL BEHAVIOUR - £3.9k increase in forecasted overspend

The amount of grant receivable from The Police and Crime Commissioner for Gwent has not been uplifted in line with salary scales and has remained at a fixed value for several years. The forecasted spends for the Anti-Social Behaviour post has increased by £3.9k due to the outcome of the recent job evaluation process, whereby the post has been upgraded from a Grade 7 to a Grade 9.

2.1.3 NATIONAL RESILIENCE – 24.5k decrease in forecasted overspend

An increase of £2k has been forecasted in relation to NR salary costs, and an underspend of £40k has been forecasted with regards to Specialist Training and Exercising. This is to relieve budget pressures on an All Wales basis, with the underspends being utilised by the other FRS in specialist areas of National Resilience.

A rise in RPIX in relation to the long term maintenance capability budget has increased the overspends in this area by £13.5k.

2.1.4 MTA - £1.2k increase in forecasted overspend

A marginal elevation in salary related costs has increased the overspend.

2.1.5 **USAR - £3.4k decrease in forecasted overspend**

Due to changes in staffing there has been a decrease in forecast salary costs of £6.8k. This is offset by an increase supplies and services forecasts by £3.4k.

2.1.6 **COVID-19 – £44k increase in forecasted overspend**

Welsh Government have confirmed funding until the end of the 2021/22 financial year. There is a condition to accessing the funding however which is when/if the Service identifies savings, these are offset these against costs incurred due to Covid-19. Offsetting these savings has increased the forecasted overspends by £44k.

2.2 **FUNDING VARIANCES**

2.2.1 **Increase in previously reported funding - £369.2K**

Since previous reporting, there has been an increase in funding in relation to employee costs, as follows;

- FBU secondment - £14.8k
- JESG secondment - £27.6k
- Avon FRS secondment - £34k
- Merseyside FRS secondment - £34.4k
- WAST Volunteers - £12.6k
- Covid-19 - £203.2k
- FF Apprentices - £42.6k

The above grant funding is confirmed on a quarterly basis with updates reported to members throughout the year.

2.2.2 **BEDFORDSHIRE FRS SECONDMENT**

Reimbursement of salary related costs due to the temporary secondment to the value of £67.4k.

2.2.3 **NFCC/GREECE DEPLOYMENT**

Funding has been granted to the value of £12.4k from the NFCC in relation to the deployment of SWFRS personnel during the recent Greece wildfire crisis.

2.2.4 **D20, COVID-19 & WINTER PRESSURES**

Grant funding of £2.5k has been awarded to aid SWFRS' response to D20, Covid-19 and winter pressures all of which incur unbudgeted salary costs.

3. **FINANCIAL IMPLICATIONS**

Overall there is a projected overspend on grants equating to £158k.

£184.7k of this is anticipated to be charged to revenue which is offset by a projected underspend between National Resilience, MTA and USAR funding of a combined £26.7k.

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THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN**SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 7
13 DECEMBER 2021

FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TEMP ASSISTANT CHIEF OFFICER CORPORATE
SERVICES**CAPITAL MONITORING REPORT 2021/22****THIS REPORT IS FOR DECISION**REPORT APPROVED BY TEMP ASSISTANT CHIEF OFFICER CORPORATE
SERVICESREPORT PRESENTED BY TEMP HEAD OF FINANCE, PROCUREMENT &
PROPERTY**SUMMARY**

The capital monitoring report provides detail of the capital budget, transactions to date and the forecast year end position.

RECOMMENDATION

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

1. BACKGROUND

- 1.1 This report provides an update of the major changes affecting the capital budget since previous reporting, September 20th 2021.
- 1.2 Appendix 1 illustrates budget information for all approved capital investment plans for the current financial year. Longer timelines are the norm for capital investment activities and timelines for build, testing and delivery stages can result in budgets being phased over more than one financial year and this is referred to as slippage.
- 1.3 In summary, Appendix 1 presents the total budget (2020/21 slippage + 2021/22 budget) for 2021/22 as £8.3 million and the forecast outturn and slippage as £7.4 million and £2.1 million respectively. A detailed narrative below supports this and a funding analysis provides information on how we intend to finance the investment.
- 1.4 Appendix 2 details grant funded initiatives and the impact this has on the capital budget and associated funding streams.

1.5 The following provides a narrative explanation in support of appendix 1.

2. BUDGET HEADINGS

2.1 Property

2.1.1 Forecast expenditure and budget slippage are £1.9 million and £1.8million respectively. This results in a net overspend of £627k which is driven by three projects, i.e. the Urban Search & Rescue (USAR) build at Whitchurch and the refurbishments of Pontypridd and Tonypandy station. These are offset to a degree by small under spends for the proposed refurb of Penarth station and planned and preventative maintenance works.

2.1.2 Pontypridd

Snagging and signage works are scheduled to complete in November and the new Croften tower is to be installed 7 December with the project due for completion a few days later. The forecast spend has increased by £35k since previous reporting as we have received an updated account from the quantity surveyor and this has increased the overspend to £247k.

2.1.3 Tonypandy

We are currently awaiting the final account although anticipate the forecast increasing by £53k. The forecast overspend of £123k relates to essential alterations as previously reported.

2.1.4 Whitchurch (USAR)

There is no change to the forecast for this financial year. Limited spending has taken place since previous reporting as contract award has not yet occurred and so construction works are yet to commence. What has become apparent is the impact of changing market forces on building costs which have increased considerably and will continue to do so into the new year. Prices have not yet been 'locked in' as contracts are unsigned and so the updated project cost is within the region of £1.04m which is a £124k increase. Fortunately WG has confirmed the shortfall can be funded from their 2022/23 capital funding programme.

2.1.5 Pontyclun

Although we previously reported £10k to be spent on fees this year, this project has now been slipped into 2022/23 as other projects have been prioritised.

2.1.6 On-Call Station Storage

A review of SWFRS on-call stations has been undertaken to find how fit for purpose they are in relation to growing storage requirements, energy efficiency of drying rooms and the coexistence of mess, gym, lockers and lecture facilities to name a few. This was a data led review which ranked and categorised stations in order of urgency of work and formed part of a longer term intention to address shortcomings from 2022/23 onwards. In consideration of the findings of the review, this project has been accelerated resulting in a potential over spend of £50k of planning and design costs, paving the way for construction work in the new financial year.

2.1.7 Planned & Preventative

Work to repair or replace station Towers are to begin shortly, starting with Treorchy and Whitchurch stations. Sites have been assessed and costings are now more accurate resulting in a reduction in this years' forecast to £160k. Estimates for future periods are indicated below;

Year 1 (2021/22)	£160,000
Year 2	£201,300
Year 3	£187,630
Year 4	£47,755
Year 5	£12,600
Total	£609,285

The following gives a highline indication of the condition of the station towers driving the above costs;

A	As New	3 Sites
B	Minor Repairs Required	8 Sites
C	Major Repairs Required	28 Sites
D	Replacement Required	5 Sites

2.2 Vehicle Replacement Programme (VRP)

2.2.1 The forecast expenditure and budget slippage is £3.5 million and £300k respectively. This results in a net overspend of £697k. The main cause of the overspend is the Prime Movers which are to be fully grant funded (£400k) although delivery of these may slip into next year.

2.2.2 Vans/Operational Estate Cars

The budget has been slipped into 2022/23 as discussions are ongoing regarding the type of vehicle that should be ordered, i.e. electric vehicles. Vans are also not readily available on the market due shortages of semi-conductors and factory suppliers. Even if orders were placed now, delivery is not expected to take place this financial year.

2.3 Operational Equipment

2.3.1 Expenditure of £1.3m and an underspend of £91k are forecast. The underspend on Structural Kit is the main contributor to this as previously reported. In addition, 2 equipment refreshes for reciprocating saws £25k, and hose inflation kits £15k, have been diverted to the revenue budget as these will not take place on the scale originally envisaged.

2.3.2 Wet Weather Gear

The tender process is ready to begin and costs in the region of £115k are anticipated, resulting in a £15k overspend.

2.3.3 Structural Kit

Most of the kit has been delivered and we are awaiting the last delivery before making the final payment.

2.4 ICT Equipment

2.4.1 The forecast is currently projecting a £678k spend and £60k slippage resulting in an overspend of £21k, driven by the End User Computer Replacement project.

2.4.2 End User Computer Replacement

The £21k over spend was a result of additional purchases in advance of 2022/23. The opportunity was seized because market indications are, delivery lead times will become longer. This is a project that will span several financial years and to ensure there is no hiatus in progress, the decision to advance purchase was made.

3 IMPLICATIONS

3.1 Appendix 1 illustrates current capital spending plans for the year and how this differs from the original budget.

Forecast expenditure of £7.4m and slippage of £2.1m has resulted in a net £1,253m overspend. The table below shows the gross overspend of £1,459m which is offset by £206k of underspends equating to the net, £1,253m overspend position. £700k of WG grants will be used to fund a large portion of the overspend in addition to capital receipts for the disposal of vehicles.

	Overspend	Underspend	Grant Funding	Capital Receipts	Report Variances
PONTYPRIDD	-247				-247
TONYPANDY	-123				-123
PENARTH		20			20
PLANNED & PREVENTATIVE		73			73
ON-CALL STATION STORAGE	-50				-50
TRUCK	-30				-30
WATERLADDERS	-74				-74
RESCUE TENDERS	-192			189	-3
VANS/OPS ESTATE CARS	-1				-1
BREATHING APPARATUS	-4				-4
STRUCTURAL KIT		73			73
RECIPROCATING SAWS		25			25
HOSE INFLATION KIT		15			15
GLOVES	-3				-3
WET WEATHER GEAR	-15				-15
END USER COMPUTER REPLACEMENT	-21				-21
WHITCHURCH USAR (grant funded)	-300		300		
PRIME MOVERS (grant funded)	-400		400		
TOTAL	-1,459	206	700	189	-364

3.2 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Well-Being Of Future Generations (Wales) Act	No
Socio Economic Duty	No
Sustainability / Environment / Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

3.3 Regulatory, Strategy and Policy

Legal	No
Financial	Yes
Procurement	No
Corporate Risk	No
Information Management	No
Data Protection / Privacy	No
Health, Safety and Wellbeing	No
Governance & Audit	No
Service Policy	No
National Policy	No

3.4 Resources, Assets and Delivery

Human Resources and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	Yes

4. EVALUATION & CONCLUSION

- 4.1 The capital end of year position is forecast to be overspent by £1.3m. This will be partly funded by grants (£700k) and capital receipts (189k).

5. RECOMMENDATION

- 5.1 That Members note the budget and progress of capital schemes, approve alterations identified in appendix 1 and associated movements in funding.

Contact Officer:	Lisa Mullan T/Head of Finance, Property & Procurement	
Background Papers	Date	Source / Contact
Revenue Monitoring Report	2021/22	Head of Finance, Property & Procurement

Appendices	
Appendix 1	Capital Monitoring 2021/22
Appendix 2	Grant Monitoring Report 2021/22 - Capital

CAPITAL MONITORING 2021/22

Appendix 1

CAPITAL PROGRAMME 2021/22							APPENDIX 1	
	Project Total £000	SLIPPAGE B/F 2020/21 £000	2021/22 BUDGET £000	ACTUAL AS AT 29.10.21 £000	COMMITTED AS AT 29.10.21 £000	OUTTURN POSITION 31.03.22 £000	BUDGET UNDER/ OVER SPEND £000	SLIPPAGE C/F 2022/23 £000
PROPERTY								
STATION REFURBISHMENTS								
PONTYPRIDD	1,000	77	0	164	108	324	-247	0
MONMOUTH (co-location scheme)	600	350	0	0	0	20	0	330
PENARTH	1,600	20	0	0	0	0	20	0
NEW INN	2,000	494	1,500	31	8	550	0	1,444
TONYPANDY	800	409	0	463	69	532	-123	0
PONTYCLUN	1,100	0	10	0	0	0	0	10
WHITCHURCH / USAR (grant funded)	1,040	0	0	31	0	300	-300	0
ON-CALL STATION STORAGE PROJECT	0	0	0	0	0	50	-50	0
PLANNED & PREVENTATIVE MAINT	0	33	200	0	0	160	73	0
	8,140	1,383	1,710	689	185	1,936	-627	1,784
VEHICLES								
TRUCK (SLIDE DECK / CRANE)	150	150	0	0	0	180	-30	0
WATER LADDERS	1,934	464	1,470	211	1,299	2,008	-74	0
RESCUE TENDERS	705	705	0	0	897	897	-192	0
VAN/OPS ESTATE CAR	362	62	300	63	0	63	-1	300
PRIME MOVERS (grant funded)	400	0	0	0	0	400	-400	0
	3,551	1,381	1,770	274	2,196	3,548	-697	300
EQUIPMENT								
HELMETS	242	16	0	16	0	16	0	0
BREATHING APPARATUS	900	21	0	5	20	25	-4	0
STRUCTURAL KIT	1,850	645	0	433	139	572	73	0
GLOVES		0	0	3	0	3	-3	0
RTC CUTTING EQUIPMENT	300	0	300	0	0	300	0	0
RESCUE TENDER EQUIPMENT	240	0	240	0	0	240	0	0
WET WEATHER GEAR	100	0	100	0	0	115	-15	0
RECIPROCATING SAWS	25	0	25	0	0	0	25	0
HOSE INFLATION KIT	15	0	15	0	0	0	15	0
	3,672	682	680	457	158	1,271	91	0
ICT								
WIRELESS LAN CONTROLLERS	80	50	0	0	10	50	0	0
GPS REPEATERS ON ALL STATIONS	45	9	0	4	0	9	0	0
PATIENT MANAGEMENT SYSTEM	60	60	0	0	0	0	0	60
TRANSMAN UPGRADE	52	18	0	8	0	18	0	0
END USER COMPUTER REPLACEMENT	450	0	150	156	14	171	-21	0
THIN CLIENT REPLACEMENT	250	0	250	115	0	250	0	0
VOICE GATEWAYS REPLACEMENT	20	0	20	0	0	20	0	0
HQ INNER FIREWALLS REPLACEMENT	30	0	30	0	0	30	0	0
CORE SWITCH REPLACEMENT	130	0	130	0	0	130	0	0
	1,117	137	580	283	24	678	-21	60
TOTAL	16,480	3,583	4,740	1,703	2,564	7,432	-1,253	2,144
FUNDING ANALYSIS								
						BORROWING	6,343	
			8,323			CO-LOCATION CONTRIBUTIONS	0	
						REVENUE CONTRIBUTION	200	
						REVENUE RESERVES	0	
						CAPITAL GRANT	700	
						CAPITAL RECEIPTS	189	
							7,432	

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GRANT MONITORING 2021/22 – CAPITAL
Appendix 2

		NATIONAL RESILIENCE
		Capital
<u>Vehicle</u>		
<i>Prime Movers x 2</i>	Actual	400,000
<u>Property</u>		
<i>USAR property development</i>	Actual	300,000
Income	Actual	-700,000
(Under)/Overspend	Actual	0

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THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN**SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 8
13 DECEMBER 2021

REPORT OF THE TREASURER

REVENUE AND CAPITAL BUDGET SETTING UPDATE REPORT**THIS REPORT IS FOR DECISION**

REPORT APPROVED BY TREASURER

PRESENTING OFFICER TREASURER

SUMMARY

The report includes an update to the draft revenue budget proposals considered by FAPM and the FAPM Scrutiny Group at their previous meetings, together with the associated Capital Programme.

At its December meeting, the Fire Authority will consider a draft budget for consultation during December and January, prior to setting its final budget in February 2022.

The report includes a proposed revenue budget of £79,304,057, representing a 2.29% increase over that set for 2021/22.

RECOMMENDATIONS

That the Committee note the update to the proposed revenue and capital budgets together with the associated establishment changes and recommend them to Fire Authority as the basis for consultation.

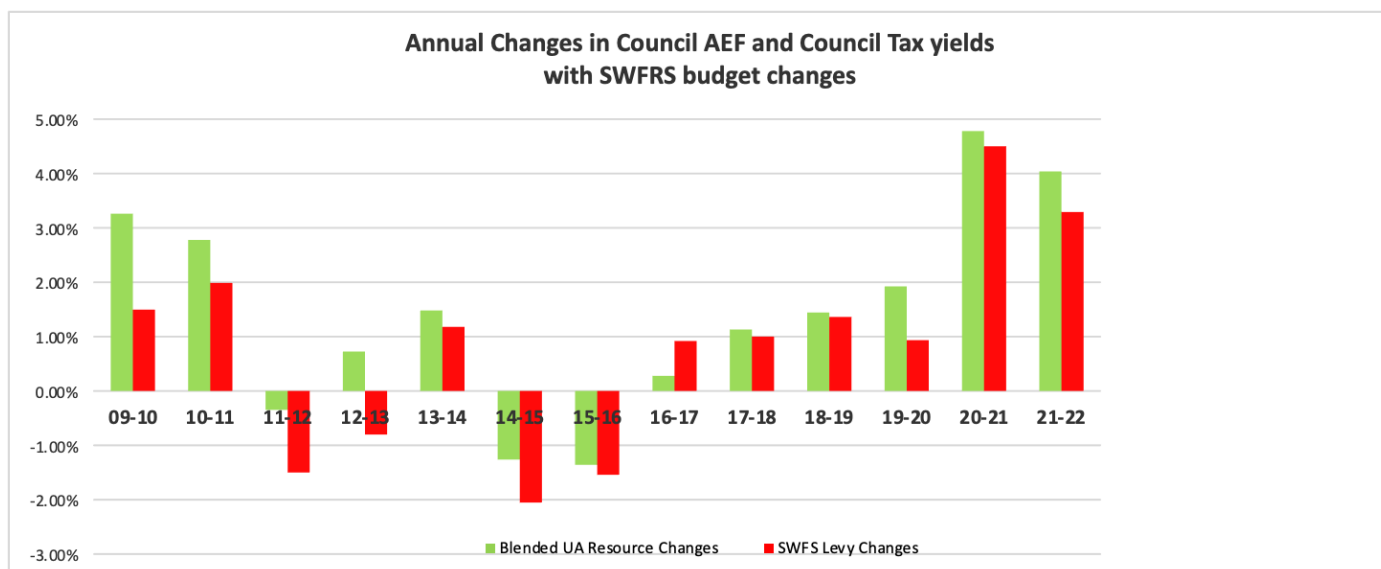
1. BACKGROUND

- 1.1 The Fire Authority, FAPM Committee and Scrutiny Group have considered a range of reports on the budget over the last year and this report updates the FAPM Committee on the culmination of that work.
- 1.2 The Medium-Term Financial Strategy (MTFS) includes information regarding the basis for budget planning and this report provides the latest update for the 2022/23 financial year, together with the supporting capital programme. The MTFS is informed by regular monitoring reports on the budget for the current year.
- 1.3 The FAPM Scrutiny Group has considered the background and detail to the budget at its meetings and considered further work to be undertaken.

2. ISSUE / PROPOSAL

Medium Term Financial Strategy and Historical Context

- 2.1 The approved MTFs includes historical context to the budget together with projections for future years' budgets.
- 2.2 For the current financial year, the Fire Authority set a budget of £77,530,089. In setting its annual budget, the Authority has always been mindful of the resources available to its constituent councils both from Welsh Government and local taxpayers.
- 2.3 The following chart shows the historical trend of increases / reductions in the revenue budget compared to the resources available to councils from Welsh Government and Council Tax.



Local Government Settlement

- 2.4 The draft Local Government Settlement is expected to be published in early December after the announcement of the Welsh Government's draft budget. There are no indicative figures available from previous years however, the Minister has indicated that it is the desire and intention to return to multi-year indicative settlements in this budget round.
- 2.5 The last two years have seen a return to more positive settlements for local government after a long period of austerity.
- 2.6 Along with the resources Welsh Government provides to constituent councils from revenue support grant and non-domestic rates, the councils also raise council tax to meet the demands on their budgets. There is a

historical pattern of increasing yield from council tax of between 4% to 5% and no indication that this trend will discontinue.

- 2.7 The Fire Authority has always been cognisant of the settlement together with the overall resources available to councils when setting its budget.

Population Change

- 2.8 Population data used in the Welsh Government Settlement is the basis on which the Fire Authority's budget is distributed and funded by the ten constituent councils in the South Wales area. The Fire Authority has no powers to vary this distribution methodology which is set out in legislation.
- 2.9 The table below illustrates the change in the distribution of current contributions based on the new population data for 2022/23. It is important to note that Councils which see increases in population generally benefit from a proportionately more favourable Welsh Government settlement and vice versa.

Authority	Budget 21/22	Population 21/22	Population 22/23	Change %	Change £
Bridgend	7,363,938	147,165	147,892	0.15	11,340
Vale of Glamorgan	6,742,658	134,749	135,617	0.30	20,474
Rhondda Cynon Taf	12,117,260	242,158	242,784	-0.08	-9,779
Merthyr Tydfil	3,039,898	60,751	60,919	-0.06	-1,907
Caerphilly	9,099,329	181,846	182,060	-0.22	-20,114
Blaenau Gwent	3,481,840	69,583	69,548	-0.39	-13,526
Torfaen	4,696,428	93,856	94,111	-0.07	-3,173
Monmouthshire	4,760,377	95,134	95,489	0.03	1,598
Newport	7,854,667	156,972	158,154	0.41	32,370
Cardiff	18,373,693	367,190	368,090	-0.09	-17,283
	77,530,089	1,549,404	1,554,664		0

- 2.10 These changes at council level will be reflected in minor variations from the overall average increase in budget set by the Fire Authority.

Budget Planning Considerations

- 2.11 The Authority has continued to invest in its assets underpinning its operational and support service capabilities. Part of the budget strategy has been to generate efficiency savings in the use of resources to offset this additional required investment. This process has been continued throughout the Covid pandemic as more flexible working practices have offered opportunities to reduce travel and associated costs. The

movement towards a reduced carbon future has also focussed attention on transport and energy costs across the service.

- 2.12 Pay awards again present an issue for the Authority's planning. Upward pressure exists on pay across the public sector and whilst uniformed staff have accepted a pay offer for the current year, support staff representative bodies are balloting for industrial action. This represents a risk to planning for next year. Assumptions of 1.5% are included in the budget for next year for all staff groups.
- 2.13 Pension costs are an ongoing uncertainty as they have been for several years now. Resolution of the McCloud judgements relating to the inequality in fire pension schemes is ongoing and valuation of the schemes is also still being worked on.
- 2.14 Widening of the role of the fire fighter is still a current topic. For the purposes of the budget, it has been assumed that any additional costs arising from such an initiative would be matched by funding from within the Welsh Public Sector.
- 2.15 The Authority's job evaluation scheme has been implemented and the projected costs of this are reflected in the revenue budget. Appeal processes are continuing so there is a degree of uncertainty in this area. The Authority believes that any variation arising from appeals will not represent a significant risk to the budget.
- 2.16 As part of the budget review, the authority has considered a number of current posts on the establishment which are of a temporary nature. Some appear to be necessary on a permanent basis. Whilst there is currently no specific budget provision for these posts in previous years, it has been possible to accommodate them through the delivery of savings across the establishment budget. It is intended that these posts (outlined in Appendix 3) are confirmed on the establishment but funded as in the past from savings within the overall employee budget.
- 2.17 After allowing for efficiency savings and budget reductions, the employees budget of the Authority will be constrained to an increase of around 1.2% next year. This area represents around 80% of the costs of the Service and to a very large degree determines the outcome of budget deliberations for the coming year. These budgets are assisted by reductions in ill health retirement costs and the budget for travel and subsistence.
- 2.18 The premises budget is anticipated to come under pressure next year as the Authority aims to keep its property portfolio in a suitable standard of repair but also from likely inflationary pressures on utility costs and non-domestic rates and continuing cleaning and security costs reflecting new

ways of working. The Authority is currently developing further energy efficiency schemes such as the use of solar PV to drive down costs and fossil fuel reliance.

- 2.19 The costs of operational training are increasing reflecting the changing nature of response calls and changing legislative requirements.
- 2.20 Continued investment in ICT systems approved in the current year together with operational equipment demands and the unavoidable inflationary pressures on budgets like insurances will increase supplies and services budgets in the coming year. Essential operational equipment replacement is also funded from this area.
- 2.21 Members will be aware that the timely fulfilment of the capital programme has been an ongoing problem within the Authority mainly due to the constraints on internal staff resources to deliver the schemes. Significant carryover from year to year was commented on by the external auditors and discussed at previous meetings. The capital programme attached to the report as Appendix 2 still carries this risk however, in anticipation of this recurrent problem, the revenue budget for capital financing costs has been adjusted downward to represent a more conservative budget assumption.
- 2.22 Capital Financing Costs will represent around 6.1% of total budget, well within the levels deemed appropriate given the nature of the organisation and its funding regime.
- 2.23 On income, the budget assumes an increase in external grant funding streams reflecting currently secured and approved levels.

Proposed Budget 2022/23

- 2.24 As discussed earlier in the report, population changes impact directly on the level of budget contributions from individual councils.
- 2.25 The proposed budget would result in the following contributions. The supporting budget is set out in Appendix 1.

Authority	Budget 2021/22	Budget 2022/23	Change	Change
	£	£	£	%
Bridgend	7,363,938	7,544,032	180,094	2.45
The Vale Of Glamorgan	6,742,658	6,917,880	175,221	2.60
Rhondda Cynon Taf	12,117,260	12,384,513	267,253	2.21
Merthyr Tydfil	3,039,898	3,107,504	67,605	2.22
Caerphilly	9,099,329	9,286,956	187,627	2.06
Blaenau Gwent	3,481,840	3,547,672	65,833	1.89
Torfaen	4,696,428	4,800,641	104,213	2.22
Monmouthshire	4,760,377	4,870,934	110,556	2.32
Newport	7,854,667	8,067,501	212,834	2.71
Cardiff	18,373,694	18,776,424	402,731	2.19
Total	77,530,089	79,304,057	1,773,968	2.29

- 2.26 The revenue budget supports the financing of the capital programme of the Authority. The Programme is regularly updated through monitoring reports to the FAPM Committee. The current capital programme is shown at Appendix 2.
- 2.27 The Authority receives regular reports on its Treasury Management Strategy. The Treasury Management Strategy determines the likely cost of borrowing, income from investments and Minimum Revenue Provision which form part of the revenue budget.
- 2.28 Members should note that when setting last year's budget, estimates for pay awards were set at a higher level than the Government's planned constraints with an undertaking that constituent councils would receive the benefit of any such over-provision should it occur. At the time of writing this report, uniformed (grey book) staff have agreed a pay settlement less than that originally estimated whereas support (green book) staff have not yet settled. All figures quoted in this report are based on the original approved budget of the Fire Authority set in February 2021.
- 2.29 Budget monitoring for the current year shows an expected underspending on employee costs arising from this over provision. For the sake of clarity, this over provision in the 2021/22 pay budget has been fully utilised to offset growth in the proposed 2022/23 budget.

3. IMPLICATIONS

3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Well-Being Of Future Generations (Wales) Act	No
Socio Economic Duty	No
Sustainability / Environment / Carbon Reduction	Yes
Safeguarding	No
Consultation and Communications	Yes
Consultation with Representative Bodies	No
Impact Assessment	No

3.1.1. Where specific projects or proposals impact the revenue budget, those decisions are reflected in appropriate assessments undertaken and reported at the time of consideration.

3.2 Regulatory, Strategy and Policy

Legal	Yes
Financial	Yes
Procurement	No
Corporate Risk	No
Information Management	No
Data Protection / Privacy	No
Health, Safety and Wellbeing	No
Governance & Audit	No
Service Policy	No
National Policy	No

3.2.1 The Authority must comply with the regulatory requirements around budget setting and approval including the timescales set out in legislation.

3.3 Resources, Assets and Delivery

Human Resources and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	Yes
Service Delivery	Yes
Procurement	No
Budget Revenue/Capital	Yes

3.3.1 The budget underpins the Service's asset and resource base and its Service Delivery.

4 EVALUATION & CONCLUSIONS

- 4.1 The details of financial projections are included within the MTFS and various budget reports. The Authority is working towards adoption of CIPFA's Financial Management Code before 31st March 2022.
- 4.2 In the context of financial resilience, the Authority's budget includes assumptions of income and expenditure for next year and the medium term. There are inevitably financial and other risks inherent in these assumptions and the operation of the organisation.
- 4.3 Non-financial risks are included and monitored in the Authority's risk register through the Senior Management Team, FAPM Committee and the Fire Authority.
- 4.4 The main financial risks to the organisation include
- Overspending
 - Delivery of efficiency savings
 - Controlling and managing capital investment
 - Levels of grant funding
 - Meeting liabilities that may be identified and / or fall due
- 4.5 The Treasurer as the Responsible Finance Officer confirms that in terms of the MTFS, budget and assumptions therein, the level of reserves and financial health of the Authority is sustainable and resilient. In reaching this conclusion, regard was had for the following
- The Authority complies with CIPFA's Financial Management Code
 - The Authority maintains adequate levels of reserves
 - Liabilities are identified and properly accounted for
 - Audit and other regulatory reports are favourable
 - Budgets are monitored
 - There is no history of unplanned overspending
 - The Authority adheres to other relevant Codes of Practice
 - The Authority's governance arrangements are sound

5 RECOMMENDATIONS

- 5.1 That the Committee note the update to the proposed revenue and capital budgets together with the associated establishment changes and recommend them to Fire Authority as the basis for consultation.

Contact Officer:	Chris Barton Treasurer	
Background Papers	Date	Source / Contact
None		

Appendices	
Appendix 1	Revenue Budget 2022/23
Appendix 2	Capital Programme
Appendix 3	Proposed Establishment Additions

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REVENUE AND CAPITAL BUDGET SETTING UPDATE REPORT
Appendix 1
REVENUE BUDGET 2022/23

	2021/22 Budget	2022/23 Budget
Employee Costs		
Whole time uniformed staff	31,702,192	32,196,142
On Call fire fighters	6,532,065	6,638,791
Auxiliary Reserve	227,549	230,542
Control staff	1,454,768	1,410,584
Non-uniformed staff	8,742,284	9,019,333
Members expenses	64,224	65,187
Overtime & Other Allowances	2,045,046	2,075,722
Apprenticeship Levy	241,478	245,100
FF Scheme - employer's contributions	8,904,558	8,878,258
LGP Scheme - employer's contributions	1,342,850	1,377,534
LGPS strain costs	34,696	34,872
FF III health pensions	945,879	849,601
NHS Reimbursements etc	56,000	75,174
Travel & Subsistence	428,000	385,000
	62,721,589	63,481,840
Premises Related Expenses		
Repair & maintenance	1,150,114	1,179,939
Grounds maintenance	37,192	36,996
Cleaning	520,216	587,813
Rates etc.	1,409,421	1,452,550
Lease/Rent	200	18,200
Water	37,138	40,000
Energy	759,204	812,907
Security	94,610	104,608
Telephones/Communications	1,474,564	1,421,111
	5,482,658	5,654,124
Training	1,617,663	1,771,002
Supplies & services		
Operational equipment & furniture etc	557,489	637,049
Other equipment	147,428	196,500
RTC (Scrap Vehicles)	67,500	69,296
Fitness/training equipment	40,000	40,000
Equipment repair & maintenance	115,000	128,050
Fire Ground consumables (foam)	10,000	12,000
I.C.T.	1,403,210	1,668,502
Clothing & Uniforms	658,662	671,862
Photocopying, stationery & printing	92,516	80,445
Postage & freight	23,532	21,622
Advertising (vacancies, etc.)	195,900	184,200
Text books, Reference	11,100	8,710
Licences	96,570	170,260
Literature / subscriptions	178,785	168,251
Catering, fire ground provisions and meals	56,740	59,370
Other Miscellaneous	44,190	40,900
Insurances	1,146,111	1,179,426
	4,844,733	5,336,443
Transport	1,403,000	1,477,793
Contracted Services	856,101	941,296
Capital costs / leasing	4,686,780	4,874,251
	81,612,523	83,536,749
Income	(4,082,435)	(4,232,692)
NET EXPENDITURE	77,530,089	79,304,057

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REVENUE AND CAPITAL BUDGET SETTING UPDATE REPORT
Appendix 2
CAPITAL PROGRAMME

	2021/22 Slippage *	2022/23 Submission	2022/23 Programme	2023/24 Submission	2024/25 Submission
PROPERTY					
Monmouth	330		330		
Penarth				25	1,500
New Inn	1,444	1,500	2,944		
Malpas		25	25	1,500	1,500
Pontyclun FS	10	1,000	1,010		
Tower Works Package		200	200	200	200
RDS Site Improvements		850	850	1,000	1,000
Cwmbran					15
	1,784	3,575	5,359	2,725	4,215
FLEET					
Water Ladder		1,785	1,785	1,785	1,785
Van/Ops Estate Car	300	155	455	155	155
Light Utility 4WD		240	240	250	200
Non-Operations 4WD		26	26	26	
Ladders		108	108		
Water Carrier				200	
Minibus				28	
Rescue Boat				30	
Wildfire Unit				100	
Welfare Unit				50	
Asbestos De-con Unit				60	
	300	2,314	2,614	2,684	2,140
ICT					
End User Computer Replacement		150	150	150	
Mobile Phone Replacement		123	123	123	
Servers and Storage Replacement		150	150		80
Sever Software Upgrade		150	150		
Wireless Access Points		40	40	140	
Patient Management System	60		60		
Station Mobilising				400	
Station Switches				210	
Screen replacement					120
Netscaler Replacement					40
Unified Communication					120
Backup Replacement System					80
HQ Switch Stacks					200
Perimeter Firewalls					35
	60	613	673	1,023	675
ORM					
RTC cutting equipment		795	795	480	
Particulate flash hood		100	100		
Positive Pressure Fan		36	36	36	36
Gas detectors		30	30		
	0	961	961	516	36
TOTAL	2,144	7,463	9,607	6,948	7,066

* Slippage as currently reported

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REVENUE AND CAPITAL BUDGET SETTING UPDATE REPORT
Appendix 3
PROPOSED ESTABLISHMENT ADDITIONS

Permanent

- 2 x Station Managers (42 hours) Business Fire Safety
 - for statutory consultee role on major planning applications (WG change in legislation)
- 1 x Sustainability Officer Grade 13
 - offset by vacancies in directorate
- 2 x Watch Manager A On-Call delivery team
- 4 x Green Book Trainers Grade 8

Temporary

- 1 x Watch Manager in training (Temp for 2 years)
- 1 x ICT Team Leader for Joint Fire Control Grade 10 (Temp for 2 years)
- 1 x Building Maintenance Manager Grade 13 (Temp for 2 years)
- 1 x Procurement Officer Grade 10 (Temp for 1 year)
- 3 x Information Governance Assistants Grade 7 (Temp for 1 year)

All Grades subject to Job Evaluation where required.

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THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN**SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 9
13 DECEMBER 2021

FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TREASURER

TREASURY MANAGEMENT MID-TERM REVIEW REPORT 2021/22**THIS REPORT IS FOR DECISION**

REPORT PRESENTED BY THE TREASURER

SUMMARY

The Treasury Management Mid-Term Review report provides an update on the Authority's treasury activities for the period 1 April-30 September 2021.

RECOMMENDATIONS

That the Finance, Audit & Performance Management Committee note the report and treasury activity for the period and recommend the Fire Authority do the same.

1. BACKGROUND

- 1.1 The Fire & Rescue Authority approved the Treasury Management Strategy Statement (TMSS) for 2020/21 on 22 March 2021. The TMSS sets out the reporting framework for monitoring performance and compliance of treasury management activities.
- 1.2 This report contains indicators and information for the 6 months leading up to 30 September 2021. Treasury procedures and reporting are intended to limit the Authority's exposure to unforeseen and unbudgeted financial consequences and to ensure that treasury management activity has been conducted in accordance with legislation and the agreed strategy.

2. INTRODUCTION

- 2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).
- 2.2 The primary requirements of the Code are as follows:

- (i) Creation and maintenance of a Treasury Management Policy Statement (TMSS) which sets out the policies and objectives of the Authority's treasury management activities.
- (ii) Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
- (iii) Receipt by the full Authority of:
 - (a) an annual TMSS to include the Annual Investment Strategy (AIS) and Minimum Revenue Provision (MRP) Policy for the year ahead;
 - (b) a Mid-year Review Report (this report), and
 - (c) An Annual Report, (stewardship report), covering activities during the previous year.
- (iv) Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- (v) Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Finance, Audit & Performance Management (FAPM) Committee.

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

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Authority's capital expenditure and how these plans area financed
- The impact of the changes in capital expenditure plans on prudential/ treasury indicators and limits and the underlying need to borrow;
- A review of the Authority's investment portfolio for 2020/21;
- A review of the Authority's borrowing strategy for 2020/21.

2.4 Appendix 1 provides an economic update for the 6 months leading up to 30 September, in addition to forecast information to inform treasury activities.

3. TREASURY MANAGEMENT STRATEGY STATEMENT UPDATE

3.1 The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by this Authority on 22 March 2021. There are no policy changes to report and a review of the indicators and limits are set out in the below table.

Prudential/Treasury Indicators 2020/21	TMSS £000	Revised £000
Capital expenditure	8,614	7,432
Financing:		
Capital grants	-826	-700
Revenue	-200	-200
Capital receipts	0	-189
Net financing requirement	7,588	6,343
Less MRP	-3,602	-3,472
CFR at 1 April	42,683	41,630
Increase / decrease in CFR	3,986	2,871
CFR at 31 March	46,669	44,501
External debt		
Loan Debt as at 1 April	29,061	29,062
New Borrowing	3,000	0
Repayment of Borrowing	-916	-916
Loan Debt as at 31 March	31,146	28,147
Other long term liabilities	4,097	4,097
Increase / decrease	-365	-365
Gross debt at 31 March	35,243	32,244
Under / (over) borrowed position	11,426	12,257
Operational Boundary;		
Debt	40,000	40,000
Other long term liabilities	5,000	5,000
Total	45,000	45,000
Authorised limit		
Debt	45,000	45,000
Other long term liabilities	10,000	10,000
Total	55,000	55,000
Affordability:		
Ratio of Financing costs to Revenue	6.71%	6.44%
Operational limit	9%	9%
Authorised limit	10%	10%
Bank / current rates		
Lloyds	0%	0%
Barclays	0%	0%

SWFRS banking rates track the BOE rate with a deduction 0.10%. As the BOE rate is currently 0.10%, the banking rate is 0%

4. PRUDENTIAL /TREASURY INDICATORS

4.1 This part of the report is structured to update members with the following:

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

5. CAPITAL EXPENDITURE PLANS

- 5.1 The largest changes have taken place in Property and Operational budgets. Members will be aware of the land acquisition plans to re-locate New Inn station. The original budget for 21/22 assumed construction of a new station would be underway this year although our offer has yet to go through the formal process before this can happen. The pandemic has had an adverse effect on supply chains worldwide and for South Wales Fire & Rescue Service this affected structural fire kit, helmets and breathing apparatus projects being delayed. The slower rate of spending has resulted in a lower borrowing projected requirement, ie CFR at £44.542m for 31 March 2022.
- 5.2 Financing such as grants and the strategic use of reserves have a reducing effect on the Authority's borrowing requirement, ie CFR. A small change has occurred since agreeing the TMSS of £189k capital receipts which will be used to fund further investment in our fleet.
- 5.3 A key indicator is how the CFR compares to the borrowing position. Borrowing should remain below the CFR limit, at least in the medium to long term and this position is described as either under or over borrowed. This indicators helps ensure borrowing is undertaken for capital purposes only. The above table indicates the Authority is currently anticipates continuing with its under borrowed position, ie £12.298m at 31 March 2022.
- 5.4 In addition to CFR, borrowing limits are in place for both external loans and other financial instruments, ie lease and PFI arrangements which constitute borrowing. This is to ensure borrowing is prudent, controlled and is monitored. It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2021, the Authority has operated within the treasury and prudential indicators set out in the TMSS 2021/22, as indicated in the above table. The Treasurer reports that no difficulties are envisaged for the current or future years in complying with these indicators. All treasury management operations have also been conducted in compliance with the Authority's Treasury Management Practices.

- 5.5 There are a number of factors affecting cash balances, the revenue and capital budget positions; the rank and volume of firefighter retirements and grants. New borrowing is not planned for the current financial year although in future years, investment in energy saving and sustainable projects to help achieve a net zero carbon position is likely to take the shape of 0% finance. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2021.
- 5.6 Current economic conditions make for a challenging time for investing and we have seen a large reduction in the Service's returns over the last 2 years. Typical bank rates are an adjusted Bank of England tracking rate with and with BoE rates currently 0.10% the effective rate is zero, ie BoE rate -0.10%. The Authority has not invested this financial year and has adhered to its policy of investing with UK Banks and building societies. Bank deposits of £13,328,290 were held as at 30 September and are set to reduce over the remainder of this financial as we continue to internally fund capital investment which is characteristically, year end heavy.

6. INTEREST RATE FORECASTS

- 6.1 The Authority's treasury advisor, Link Group, provide the following forecasts on 29 September 2021.

Link Group Interest Rate View 29.9.21										
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave eamings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave eamings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave eamings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

7. FINANCIAL IMPLICATIONS

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

8. LEGAL IMPLICATIONS

- 8.1 The Authority is required to comply with the requirements of the Local Government Act 2003 and to have regard to both the Welsh Government guidance and the CIPFA Code when determining its treasury management policy, strategies and reporting regime.

9. EQUALITY RISK ASSESSMENT

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

10. IMPLICATIONS

10.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
No	No
Socio Economic Duty	No
Sustainability/Environment/Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

10.2 Regulatory, Strategy and Policy

Legal	No	Data Protection / Privacy	No
Financial	No	Health, Safety and Wellbeing	No
Procurement	No	Governance & Audit	No
Corporate Risk	No	Service Policy	No
Information Management	No	National Policy	No

10.3 Resources, Assets and Delivery

Human Resource and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	No

11. RECOMMENDATION

- 11.1 That the Finance, Audit & Performance Management Committee note the report and treasury activity for the period and recommend the Fire Authority do the same.

Contact Officer:	Chris Barton Treasurer
Background Papers:	None
Appendices:	TMSS 2021/22 TM Outturn Report 2020/21 Revenue/capital monitoring reports Link Service information Appendix 1 – Economic Update

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Appendix 1

Economics & Interest Rates

- At the Monetary Policy Committee (MPC) meeting, 24 September, the voted was unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, the MPC had been prepared to look through a temporary spike in inflation.
- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement; this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.
- The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
 1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- COVID-19 vaccines. These have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the summer after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as

opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

US. See comments below on US treasury yields.

EU. The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the European Central Bank (ECB) is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

German general election. With the Christian Democratic Union (CDU/CSU) and Social Democratic Party (SDP) both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SDP-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

China. After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

Japan. 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

Supply shortages. The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

3.2 Interest rate forecasts

The Authority's treasury advisor, Link Group, provided the following forecasts on 29th September 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1st October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

Gilt and treasury yields

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden's, and the Democratic party's determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are

caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
4. And the Fed was still providing monetary stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of "substantial further progress towards the goal of reaching full employment". However, the weak growth in August, (announced 3.9.21), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt yields. This is a significant UPWARD RISK exposure to forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.

- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN

SOUTH WALES FIRE & RESCUE AUTHORITY

AGENDA ITEM NO 10
13 DECEMBER 2021

FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE ACO CORPORATE SERVICES

INTERNAL AUDIT PROGRESS REPORT & AUDIT ACTION UPDATE

THIS REPORT IS FOR INFORMATION ONLY

REPORT PRESENTED BY TEMP HEAD OF FINANCE, PROCUREMENT & PROPERTY

SUMMARY

This report updates Members upon progress being made against the Internal Audit Plan 2021/2022.

RECOMMENDATIONS

Members are asked to note internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2021/2022.

1. BACKGROUND

- 1.1 As Members will be aware, TIAA Limited are appointed as the Authority's Internal Auditors to undertake work covered in the Internal Audit Plan 2021/2022, which was approved by the FAPM Committee on 15 March, 2021.
- 1.2 As previously agreed, all audit reports with an assurance level of limited or no assure will be provided in full. Recommendations only will be provided for reports with an assurance level of substantial or reasonable.

2. ISSUES

- 2.1 The areas of internal audit reviews within the Annual Plan were completed with 2 final report being issued:-
 - **Strategic Planning**
 - **Safeguarding**

The Summary Internal Audit Progress Report written by TIAA limited is attached as Appendix 2.

2.2 Strategic Planning

2.2.1 The review considered the arrangements by which the Fire Authority and senior management groups ensure that the corporate plans for the organisation remain achievable in times of economic uncertainty.

2.2.2 The review also considered how the strategic planning process is integrated with and supported by the Service's Assurance Matrix.

2.2.3 The scope of the review did not include consideration of the strategic control arrangements or the appropriateness of decisions taken by the Fire Authority and senior management.

2.2.4 The audit received a substantial level of assurance and no recommendations.

2.3 Safeguarding

2.3.1 The review considered the arrangements in place within South Wales Fire and Rescue Service for complying with its responsibilities in respect of safeguarding children, young people and vulnerable adults.

2.3.2 The audit received a reasonable level of assurance with three important and three routine control issues, in addition to two areas of operational effectiveness being identified.

3. IMPLICATIONS

3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Wellbeing of Future Generations (Wales) Act 2015	No
Socio Economic Duty	No
Sustainability/Environment/Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

3.2 Regulatory, Strategy and Policy

Legal	No	Data Protection / Privacy	No
Financial	Yes	Health, Safety and Wellbeing	No
Procurement	Yes	Governance & Audit	Yes
Corporate Risk	No	Service Policy	No
Information Management	No	National Policy	No

3.3 Resources, Assets and Delivery

Human Resource and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	Yes
Budget Revenue/Capital	No

4. EVALUATION & CONCLUSIONS

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

5. RECOMMENDATIONS

- 5.1 Members are asked to note the internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2021/2022.

Contact Officer:	ACO Geraint Thomas
Background Papers:	Appendix 1 – Summary report ‘Strategic Planning Appendix 2 – Summary report ‘Safeguarding’ Appendix 3 – SICA report

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Internal Audit

FINAL

South Wales Fire and Rescue Service

Assurance Review of Strategic Planning

2021/22

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Strategic Risk

SCOPE

The review considered the arrangements by which the Fire Authority and senior management groups ensure that the corporate plans for the organisation remain achievable in times of economic uncertainty. The review also considered how the strategic planning process is integrated with and supported by the Service's Assurance Matrix. The scope of the review did not include consideration of the strategic control arrangements or the appropriateness of decisions taken by the Fire Authority and senior management.

KEY STRATEGIC FINDINGS



The five-year rolling Strategic Plan for 2017-2022 sets out South Wales Fire and Rescue Service's (SWFRS's) vision and strategic aims for which the Chief Fire Officer has ultimate responsibility.



Evidence of a 'golden thread' was sighted between the Strategic Plan aims and team and individual targets.



The vision encompasses eight strategic aims each of which have been assigned an owner. Each theme further encompasses those specific actions that need to be delivered to achieve the strategic aim.

GOOD PRACTICE IDENTIFIED



Consultation with 154 respondents who were members of the public confirmed that 89% were in strong agreement with the proposed 2021/2022 Objectives.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
There were no recommendations made.							

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There were no operational effectiveness matters identified.				



APPENDIX 2
Internal Audit

FINAL

South Wales Fire and Rescue Service

Assurance Review of Safeguarding

2021/22

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Reputational Risk

KEY STRATEGIC FINDINGS



The safeguarding arrangements underwent a major review in March 2021 led by the Designated Safeguarding Lead (DSL) who developed a 2 year action plan utilising the National Fire Chief Council safeguarding Toolkit.



The Safeguarding Procedure is no longer fit for purpose and this has been identified as an action by the DSL.



Analysis of the Safeguarding Database. Identified that cases are not being closed off in a timely manner and the status of cases are not always being updated to reflect the latest position.



The Strategic Safeguarding Group, responsible for monitoring the progress of the Action Plan, does not have a formal Terms of Reference and the quarterly meetings are not being minuted.

GOOD PRACTICE IDENTIFIED



The DSL is working alongside HR to develop a Safeguarding training and awareness programme for all staff.



The DSL recognised that the Safeguarding Database is not fit for purpose and is in the process of sourcing an alternative system for managing the safeguarding data.

SCOPE

The review considered the arrangements in place within South Wales Fire and Rescue Service for complying with its responsibilities in respect of safeguarding children, young people and vulnerable adults.

ACTION POINTS

Urgent	Important	Routine	Operational
0	3	3	2

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	The operational structure for the safeguarding arrangements is still in the process of being reviewed. The Designated Safeguarding Lead (DSL) recognised that arrangements need to be put in place to ensure that all roles and are defined and clearly outlined within the Safeguarding Procedure which is currently being reviewed.	The Safeguarding structure and governance arrangements be defined and clearly outlined within the new Safeguarding Procedure with roles and responsibilities included in job descriptions as planned.	2	<p><i>The SG structure will be included within the revised SG policy and procedures. This will include roles and responsibilities at all levels.</i></p> <p><i>The policy is currently under review and will be published with all necessary amendments.</i></p>	31/01/22	DSL

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Directed	<p>At the time of the review there were 51 safeguarding cases designated as "new" status although these were added to the Safeguarding Database in 2019.</p> <p>Given the number of data integrity issues identified with the Safeguarding Database (see also recommendations 3 and 4), it is strongly recommended that a full review of the database be undertaken to ensure that records are correct and up to date.</p>	<p>A full review of the Safeguarding Database be undertaken to ensure that records are correct and up to date.</p>	2	<p><i>The database has been refreshed to a BMIS page with restricted access, this allows clearer understanding of the cases and their current statuses.</i></p> <p><i>A review of the SG database will be actioned, but this is currently linked to a full review of the SG process from initial receipt to a referral being made to partner agencies.</i></p> <p><i>Alternative databases are being investigated with support from ICT that will support future practices.</i></p>	01/04/22	DSL

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Delivery	<p>A Safeguarding Action Plan has been prepared using the National Fire Chiefs Council (NFCC) Safeguarding Self-Assessment toolkit.</p> <p>The Designated Safeguarding Lead (DSL) stated that progress with the implementation of the Safeguarding Action Plan is discussed at the Strategic Safeguarding Group which includes the DSL, HR, members of the Senior Management team and the Assistant Chief Fire Officer. It was noted that there are currently no Terms of Reference for the Group and the meetings, which take place quarterly, are not formally minuted.</p>	<p>A Terms of Reference be developed for the Strategic Safeguarding Group setting out the role and responsibility of the Group and all meetings of the Group to be formally minuted.</p>	2	<p><i>Terms of reference have been discussed and agreed at the Strategic SG group.</i></p> <p><i>Minutes of meeting are now actioned and recorded.</i></p>	01/07/21	ACFO

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Some actions listed within the Safeguarding Action Plan developed by the Designated Safeguarding Lead are missing target dates, person responsible and current status.	The NFCC Safeguarding Action Plan be updated to ensure that all necessary information is included on the Plan and to include commentary and information on what has been done to mark off actions as complete.	3	<i>The SG action plan has been transferred to a BMIS page with a responsible person allocated with target dates. The actions are reviewed and discussed at the strategic SG meeting, further department meetings are now scheduled to refresh the actions and commentary as necessary.</i>	15/08/21	DSL
3	Directed	Analysis of the Safeguarding Database identified 69 cases which were marked as closed/completed but which provided no information on the outcome. The Safeguarding Database does not prevent staff from closing cases if the outcome has not been completed.	The Safeguarding Database be amended by ICT so that the key fields are marked as mandatory thus preventing cases from being closed or marked as completed without all necessary fields being completed.	3	<i>The SG database is under a full review with the support of ICT. Alternative databases are being explored that will allow easier understanding of case statuses. This is also linked to recommendation 5 above.</i>	01/04/22	DSL

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	<p>Further analysis of the Safeguarding Database noted that there were 51 cases marked as "in progress".</p> <p>A review of a sample of 10 cases with a status of "in progress" noted that all 10 had been actioned and should have been closed off and marked as complete. Testing indicates that staff are not closing down cases appropriately within the Safeguarding Database providing an inaccurate status of safeguarding activity.</p>	Staff be reminded to close down safeguarding concerns in a timely manner once action has been completed.	3	<p><i>The services Designated SG lead is in the process of reviewing the database, this has been noted in recommendations 3 and 5 above.</i></p> <p><i>All persons with current access to the database and case allocation will be reminded to close down when completed. The process of how cases are "closed" is under review and any changes or requirements will be discussed once agreed.</i></p>	01/04/22	DSL

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	Currently there is no quality assurance/review process in place which checks the handling, management and integrity of the data within the safeguarding database.	The Authority should consider introducing a quality assurance process whereby a random sample of recently closed cases are selected and reviewed to ensure that the correct process has been followed and that information within the Safeguarding Database has been entered correctly	<i>The aspect of quality assurance is captured within the Strategic SG plan. A department review of the current SG makeup and resilience is underway, the future quality assurance of cases is being discussed as part of this review and how other resources within CS&P may be able to support with resilience for the SG lead. The aim is allow the SG lead to conduct QA as necessary once we have established the necessary support.</i>
2	Delivery	Whilst there is a Safety and Wellbeing section on the Authority's website, this provides safety information for members of the public at home, in businesses, on the road and within the community and does not refer to safeguarding. The Authority should consider adding a safeguarding page to its website.	Consideration be given to adding a safeguarding page to the Authority's website.	<i>This will be discussed at the SG Strategic meetings with any changes agreed and implemented as necessary.</i>

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South Wales Fire and Rescue Service

Summary Internal Controls Assurance (SICA) Report

2021/22

November 2021

Summary Internal Controls Assurance

Introduction

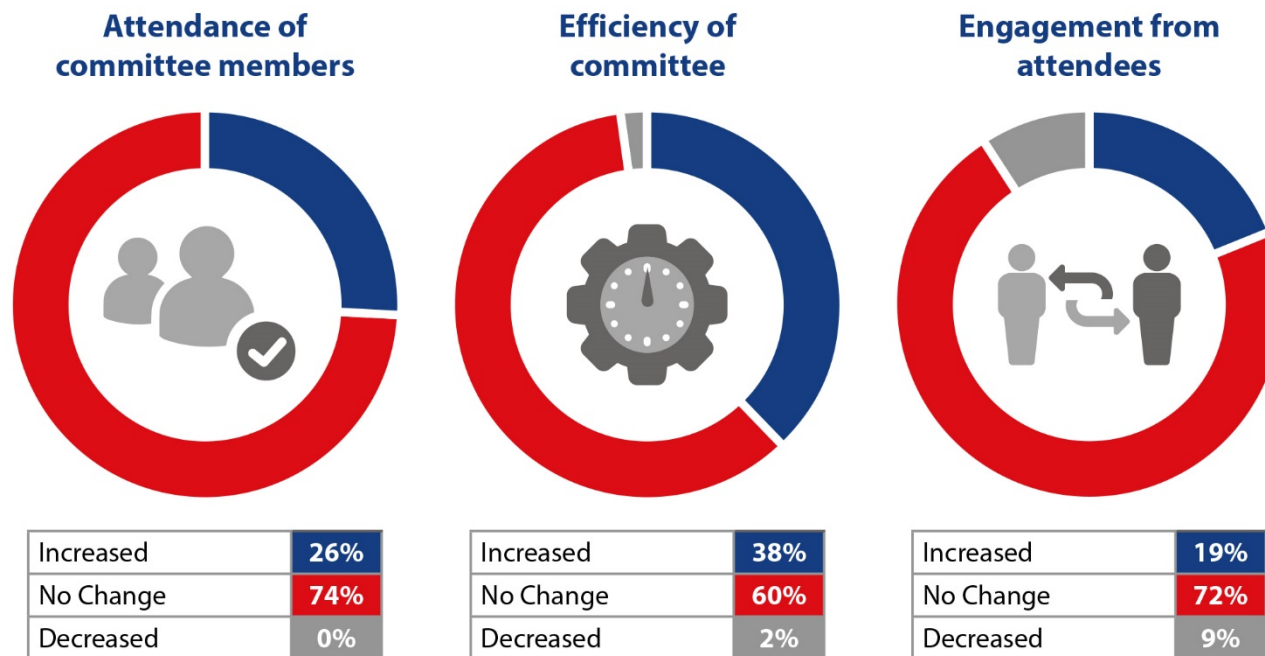
1. This summary controls assurance report provides the Finance Audit and Performance Management (FAPM) Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at South Wales Fire and Rescue Service as at 19th November 2021.

Emerging Governance, Risk and Internal Control Related Issues

2. In our recent 'Post-Lockdown Working Practices Briefing', we explored the results of our survey of clients to ascertain how organisations are planning to deliver some of their functions going forward. We asked a number of questions regarding Audit Committee meetings and their effectiveness since the pandemic started and gained thoughts on how these will take place once restrictions are eased.

The experience of remotely held Audit Committees meetings has been positive with the majority of respondents recording no change in or increased attendance, efficiency and engagement at meetings.

Post Lockdown Audit Committee Attendance



Audits completed since the last SICA report to the Finance Audit and Performance Management Committee

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

Audits completed since previous SICA report

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Safeguarding	Reasonable	04/08/2021	24/08/2021	24/08/2021	-	3	3	2
Strategic Planning	Substantial	19/08/2021	11/10/2021	11/10/2021	-	-	-	-

4. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2021/22 Annual Plan

5. Our progress against the Annual Plan for 2021/22 is set out in Appendix B.

Changes to the Annual Plan 2021/22

6. There is to be one change to the Annual Plan 2021/22 with a review of the Service's Brexit response replaced by a Death in Service process review.

Progress in actioning priority 1

7. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA.

Root Cause Indicators

8. The Root Cause Indicators (RCI) have been developed by TIAA to provide a strategic rolling direction of travel governance, risk and control assessment for South Wales Fire and Rescue Service. Each recommendation made is analysed to establish the underlying cause of the issue giving rise to the recommendation (RCI). The analysis needs to be considered over a sustained period, rather than on an individual quarter basis. Percentages, rather than actual number of reviews/recommendations made permits more effective identification of the direction of travel. A downward arrow signifies a positive reduction in risk in relation to the specific RCI.

RCI – Direction of Travel Assessment

Root Cause Indicator	Qtr 1 (2021/22)	Qtr 2 (2021/22)	Qtr 3 (2021/22)	Qtr 4 (2021/22)	Medium term Direction of Travel	Audit Observation
Directed						
Governance Framework	0	56% (5)	-	-	↑	Includes three recommendations reported to August FAPM
Risk Mitigation	0	0	-	-	↔	
Control Compliance	0	33% (3)	-	-	↑	
Delivery						
Performance Monitoring	0	11% (1)	-	-	↑	
Financial Constraint	0	0	-	-	↔	
Resilience	0	0	-	-	↔	

Frauds/Irregularities

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

Other Matters

10. We have issued a number of briefing notes and fraud digests, shown in Appendix D, since the previous SICA report.

Briefing Note
Guidance to Prevent use of Vehicles as Weapons in Terror Attacks
Fraudulent Emails and Purchase Orders
Fraud Alert
Battening Down the Hatches of Fraud

Responsibility/Disclaimer

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

Executive Summaries and Management Action Plans


The following Executive Summaries and Management Action Plans are included within the Finance, Audit and Performance Management Committee papers. Full copies of the reports are available on request. Where a review is a 'Limited' or 'No' Assurance assessment the full report will be presented.


Review	Evaluation
Strategic Planning	Substantial
Safeguarding	Reasonable


Progress against Annual Plan

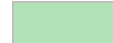
System	Planned Quarter	Current Status	Comments
Strategic Planning	1	Final Report issued 11/10/2021	
Safeguarding	1	Final Report issued 24/08/2021	
Payment Cards	1	Final Report issued 06/08/2021	Presented to September FAPM
Performance Management	2	Final Report issued 17/08/2021	Presented to September FAPM
Core HR	2	Draft report pending	
ICT Cyber Security	2	Fieldwork to commence 22/11/2021	Moved to Q3
Mitigating Controls	3	Fieldwork to commence 13/12/2021	
Key Financial Controls	3	Fieldwork to commence 04/01/2022	Moved to Q4
Equality and Diversity	4	Fieldwork to commence 10/01/2022	
Station Visits	4	Fieldwork to commence 10/01/2022	
Brexit	4		To be deferred to 2022/23
Follow-up	4	Suggested date 13/01/2022	
Death in Service	4	Fieldwork to commence 21/12/2021	Replaces Brexit review
Annual Planning	1	Annual Plan issued as final 19/03/2021	
Annual Report	4		
Audit Management	1-4		

KEY:

 To be commenced

 Site work commenced

 Draft report issued

 Final report issued



Priority 1 Progress update

No Priority 1 recommendations have been made in 2021/22 to date.

Briefings on developments in Governance, Risk and Control

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

Summary of recent Client Briefing Notes (CBNs)

Date Issued	CBN Ref	Subject	Status	TIAA Comments
16/11/2021	CBN21044	Guidance to Prevent use of Vehicles as Weapons in Terror Attacks		<p>Action required where applicable:</p> <p>Audit Committees and Boards/Governing Bodies are advised to assess their arrangements in light of the risks if applicable and take appropriate remedial action.</p>
01/11/2021	CBN21042	Fraudulent Emails and Purchase Orders		<p>Information Only</p> <p>A scam is targeting existing and potential suppliers of equipment/goods to organisations nationally.</p> <ul style="list-style-type: none"> • A supplier will receive an email or phone call from a fraudster requesting a quotation for specific item(s) of equipment. • Once the quotation has been provided, a purchase order is emailed to the supplier that resembles an authentic organisation purchase order. • The purchase order typically instructs delivery to an address that may or may not be affiliated with the organisation. • After shipping the items of equipment, the supplier never receives payment and is unable to retrieve the shipped products.

Summary of recent Fraud Alerts

Ref	Subject	Status	TIAA Comments
0000	Battening Down the Hatches of Fraud	For information only.	Advice on recent pandemic related frauds, other frauds and increasing fraud awareness.

**FORWARD WORK PROGRAMME FOR
FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE 2021/22**

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
As required	Internal Audit Progress Report & Audit Action Updates	To provide an updated position of work performed against the internal audit plan and to highlight any significant issues arising from the internal audit work performed	DCO Contact Officer: Geraint Thomas	
As required	Performance Report	To scrutinise specific issues of performance identified and referred by Fire Authority	DCO Contact Officer: Sally Chapman	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by Fire Authority	DCO Contact Officer: Sarah Watkins	
As required	WAO Reports	To advise Members of the conclusions of WAO Reports and to consider the implications for the Service	DCO Contact Officer: Sally Chapman	
26 July 2021	Revenue Outturn	To advise on total revenue expenditure for the year against the set revenue budget following the year end and to explain variations and impact on reserves	Treasurer Contact Officer: Geraint Thomas	Completed

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
26 July 2021	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 Contact Officer: Geraint Thomas	Completed
26 July 2021	Audit Wales Audit Plan 2021	To advise Members of the work set out by Audit Wales to be undertaken during 2021	DCO Contact Officer: Geraint Thomas	Completed
26 July 2021	Audited Statement of Accounts	To advise Members of the content of the Audited Statement of Accounts	Treasurer Contact Officer: Geraint Thomas	Completed
26 July 2021	Audit Accounts report (ISA 260 Report)	To advise Members of the content of the Auditor Generals ISA 260 report including the final letter of representation, proposed audit opinion and corrections/recommendations	Treasurer Contact Officer: Geraint Thomas	Completed
26 July 2021	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer Contact Officer: Lisa Mullan	
26 July 2021	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer Contact Officer: Lisa Mullan	
20 Sept 2021	Health Check of Priority Actions and Q1 progress against the Statutory PI's	To scrutinise progress of the Services Priority Actions and statutory PI's as at the end of Q1	DCO Contact Officer: Sarah Watkins	Completed

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
20 Sept 2021	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer Contact Officer: Lisa Mullan	Completed
20 Sept 2021	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer Contact Officer: Lisa Mullan	Completed
20 Sept 2021	Treasury Management Outturn Report	To advise on performance against the treasury management policy and strategy following financial year end	Treasurer Contact Officer: Lisa Mullan	Completed
20 Sept 2021	Medium Term Financial Strategy Update, Reserves Strategy and Revenue & Capital Budget Setting Report	To update Members on the MTFS to inform and influence the budget setting process to meet the Service's requirements for the following financial year	Treasurer Contact Officer: Geraint Thomas	Completed
20 Sept 2021	Audit Wales Final Audit Letter	To advise on conclusion of financial audit	Treasurer Contact Officer: Geraint Thomas	Completed
13 Dec 2021	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer Contact Officer: Lisa Mullan	On agenda
13 Dec 2021	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer Contact Officer: Lisa Mullan	On agenda

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
13 Dec 2021	Revenue & Capital Budget Setting Update Report	To assist in determining the appropriate revenue & capital budget required to meet the Service's requirements for the financial year	Treasurer Contact Officer: Geraint Thomas	On agenda
13 Dec 2021	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO Contact Officer: Sarah Watkins	Deferred to next meeting
13 Dec 2021	Treasury Management Interim Report	To update Members on treasury management activity during the year to date	Treasurer Contact Officer: Lisa Mullan	On agenda
13 Dec 2021	Annual Audit Plan Financial Audits	To advise Members of the proposed timetable for financial audits in the forthcoming audit year	Treasurer Contact Officer: Lisa Mullan	Completed. Already reported.
7 March 2022	Treasury Management Strategy Report	To secure Members' approval to the adoption of the Treasury Management Strategy for the following financial year	Treasurer Contact Officer: Lisa Mullan	
7 March 2022	Health Check of Priority Actions and Q3 progress against the Statutory PI's	To scrutinise progress of the Services Priority Actions and statutory PI's as at the end of Q3	DCO Contact Officer: Sarah Watkins	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
7 March 2022	Draft Annual Report of the Work of the FAPM Committee and the Discharge of the Terms of Reference of the Finance, Asset & Performance Management Scrutiny 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 & DCO Contact Officer: Sarah Watkins	
7 March 2022	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer Contact Officer: Lisa Mullan	
7 March 2022	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer Contact Officer: Lisa Mullan	
7 March 2022	Internal Audit Programme	To outline the planned internal audit coverage for the financial year and to seek comment and approval	DCO Contact Officer: Geraint Thomas	
7 March 2022	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: Geraint Thomas	
7 March 2022	Corporate Departmental Risk Register	To seek Members' views upon the Corporate Departmental Risk Register	DCO Contact Officer: Sarah Watkins	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
7 March 2022	Register of Gifts and Hospitality	To advise Members of gifts and hospitality accepted and declined by Members and Officers during the year	DCO Contact Officer: Sarah Watkins	

Sally Chapman - DCO
Dewi Rose - ACFO Service Delivery
Sarah Watkins - Head of Corporate Support

Chris Barton - Treasurer
Geraint Thomas - T/ACO Corporate Services
Lisa Mullan - T/Head of Finance & Procurement

AGENDA ITEM NO 12

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

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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. Chairperson's Announcements

4. To Receive the Minutes of:

- Finance, Audit & Performance Management Committee held on Monday 20 September 2021 5
- Finance, Asset & Performance Management Scrutiny Group held on Monday 18 January 2021 15
- Finance, Asset & Performance Management Scrutiny Group held on Monday 11 October 2021 23

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