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BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Councillor A Brown (Chair)
Councillor F Chapman
Councillor P Downing
Councillor M Headley
Councillor D McVicar
Councillor M Riaz

A meeting of **Corporate Services Policy and Challenge Group** will be held at **Conference Room, Fire and Rescue Service Headquarters, Kempston, Bedford MK41 7NR** on **Monday, 7 March 2016** starting at **10.00 am.**

Karen Daniels
Service Assurance Manager

A G E N D A

Item	Subject	Lead	Purpose of Discussion
1.	Apologies		
2.	Declarations of Disclosable Pecuniary and Other Interests	Chair	Members are requested to disclose the existence and nature of any disclosable pecuniary interest and any other interests as required by the Fire Authority's Code of Conduct.
3.	Communications	Chair	
4.	Minutes	Chair	* To confirm the Minutes of the meeting held on 26 November 2015 (Pages 1 - 8)
5.	Corporate Services Performance 2015/16 Quarter 3 and programmes to date	ACO	* To consider a report (Pages 9 - 20)

Item	Subject	Lead	Purpose of Discussion
6.	Proposed Corporate Services Indicators and Targets for 2016/17	ACO	* To consider a report (Pages 21 - 30)
7.	New Internal Audit Report Completed to date	ACO	* To consider a report (Pages 31 - 48)
8.	Audit and Governance Action Plan Monitoring Report	ACO	* To consider a report (Pages 49 - 64)
9.	Revenue Budget and Capital Programme Monitoring 2015/16	HFT	* To consider a report (Pages 65 - 72)
10.	Treasury Management Strategy and Practices	CFO/HFT	* To consider a report (Pages 73 - 152)
11.	Utility Usage	HFT	* To consider a report (Pages 153 - 156)
12.	Provision of ICT Equipment for Paperless Meetings Trial	HSS	* To consider a report (Pages 157 - 160)
13.	Corporate Risk Register	CFO	* To consider a report (Pages 161 - 166)
14.	Review of Work Programme for 2015/16	Chair	* To consider a report (Pages 167 - 176)
	Next Meeting		10.00 am on 9 June 2016 at Conference Room, Fire and Rescue Service Headquarters, Kempston, Bedford MK41 7NR

DECLARATIONS OF INTEREST

From 1 July 2012 new regulations were introduced on Disclosable Pecuniary Interests (DPIs). The interests are set out in the Schedule to the Code of Conduct adopted by the Fire Authority on 28 June 2012. Members are statutorily required to notify the Monitoring Officer (MO) of any such interest which they, or a spouse or civil partner or a person they live with as such, have where they know of the interest.

A Member must make a verbal declaration of the existence and nature of any Disclosable Pecuniary Interest and any other interest as defined in paragraph 7 of the Fire Authority's Code of Conduct at any meeting of the Fire Authority, a Committee (or Sub-Committee) at which the Member is present and, in the case of a DPI, withdraw from participating in the meeting where an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item 4

MINUTES OF CORPORATE SERVICES POLICY AND CHALLENGE GROUP MEETING HELD ON 26 NOVEMBER 2015

Present: Councillors T Brown (Chair), F Chapman, P Downing, M Headley and M Riaz

CFO Fuller, SOC T Rogers, Mrs A Ashwood, Mr J Atkinson and Mr G Chambers

15-16/CS/028 Apologies

An apology for absence was received from Councillor D McVicar.

15-16/CS/029 Declaration of Disclosable Pecuniary and Other Interests

No declarations were made.

15-16/CS/030 Communications

The Group received the Minutes of the ICT Shared Service Governance Board meetings held on 22 July and 8 September 2015 for information.

15-16/CS/031 Minutes

The Chair requested an update report on the actions taken to address utility usage issues at stations identified within the report presented to the last meeting of the Policy and Challenge Group.

RESOLVED:

1. That the Minutes of the meeting held on 16 September 2015 be confirmed and signed as a true record.
2. That an update report on actions taken/planned as a result of the utility usage issues identified at particular stations, including Shefford Fire Station, be presented to the next meeting of the Policy and Challenge Group.

<u>15-16/CS/032 Corporate Services Performance 2015/16 Quarter 2 and Programmes to Date</u>

Mrs A Ashwood, the Head of Strategic Support, introduced the performance report for the second quarter of 2015/16.

She provided an update on the Virtual Desktop Infrastructure project and advised that the rollout was now back on track for its original completion date.

Significant progress had also been made in relation to the HR system that had been added to the Capital Programme at the last FRA meeting.

There was only one performance indicator that was not RAG rated as green for the quarter, FNP5 (percentage of uncontested invoices paid within 30 days), which was amber as it had missed the target by .23%.

Members expressed the view that there should be no uncontested invoices which were not paid within 30 days and this target would be revisited at the next meeting of the Policy and Challenge Group.

RESOLVED:
That the progress made on Corporate Services Programmes and Performance be acknowledged.

<u>15-16/CS/033 Fuel Cards</u>

SOC J Roberts presented the report updating Members on the processes and additional measures that had been implemented following an audit of Service Fuel Cards in September 2014. These processes had been in place since the end of 2014/beginning of 2015 and the actions taken to address recommendations arising out of the audit would be confirmed during the next follow-up audit.

He assured Members that no incidents of fraud had been detected during the initial audit and subsequent reviews.

In response to a question, SOC Roberts advised that there had been no incidents of misfuelling as the majority of the fleet used diesel.

RESOLVED:
That the findings of the report be acknowledged.

15-16/CS/034 New Internal Audit Reports

Mrs A Ashwood, Head of Strategic Support, introduced the report on the audit of procurement, which had received an amber/green rating, with two medium and two low recommendations. All four recommendations were due to be completed by the end of November 2015.

The results of two Thematic Reviews which RSM had conducted across Bedfordshire, Cambridgeshire and Essex on Communications and Fuel Cards were also presented to the Policy and Challenge Group for information. There were no formal recommendations arising from these reviews, only comments and observations. However, all learning points would be taken on board.

In response to a question, SOC Roberts advised that the Service bulk bought diesel and that there were fuel installations at all full-time fire stations. The tanks at Headquarters had a storage capacity of 13,500 litres.

The use of red diesel was discussed and it was noted that red diesel was used in the Aerial Platforms as they were classified as plant rather than road vehicles.

RESOLVED:
That the internal audit report be received and the associated management comments/actions which will be added to the Audit and Governance Action Plan Monitoring report be endorsed.

15-16/CS/035 Audit and Governance Action Plan Monitoring Report

Mrs A Ashwood, Head of Strategic Support, submitted the report detailing progress made to date against current action plans arising from internal and external audit reports and from the Fire Authority's 2014/15 Annual Governance Statement.

The two key outstanding actions were the improvement of the Service's system for tracking its operational equipment and the development of a centrally managed Asset Register.

Mrs Ashwood reported that, following discussions with RSM, the second action had been superseded.

Mr G Chambers, the Head of Finance and Treasurer, advised that the recommendation to develop a centrally managed Asset Register had arisen from the annual audit of Key Financial Controls carried out earlier in the year. The external auditors had not expressed any concern with the spreadsheets that had been maintained up to that point for the year-end accounts for assets over £10,000. Regular spot checks were also undertaken. The Service had expressed concern to RSM about the purchase of a system solely for this purpose and whether this represented value for money.

However, it was recognised that, if the software solution identified for the tracking of operational equipment had the capacity to also serve as a central asset register, this action would be completed. Funding had already been earmarked in the Capital Programme for the provision of a solution for the tracking of operational equipment, up to a value of £100,000.

Members were advised that the two projects were separate although the solution may be the same. The tracking of operational equipment was of greater importance as it related to health and safety and presented a greater level of risk to the Service if not completed. The current system, whereby spreadsheets were held centrally but stations retained paper records, left the Service vulnerable to equipment being separated from the relevant paper records. Management safeguards were in place but the Service was seeking to engineer out the risks.

Further discussion with RSM would take place when they returned in early 2016 for the audit of Key Financial Controls.

RESOLVED:
1. That progress made to date against the action plans be acknowledged.
2. That further information on the negotiations with RSM over the recommendation to develop a centrally managed Asset Register be provided to the Policy and Challenge Group at its next meeting.

15-16/CS/036 Revenue Budget and Capital Programme Monitoring 2015/16

Mr G Chambers, Head of Finance and Treasurer, presented an update on the revenue budget and capital programme as at 30 September 2015. The forecast non-salary underspend was £11,000 and the forecast salary underspend was £262,000, giving a total forecast underspend of £273,000.

Further to comments made at the FRA meeting, the Head of Finance and Treasurer advised that he had not provided more detail on the budget forecast outturn as the budget profiling appeared to be accurate at the six-month stage.

He commented that the Authority would be asked to consider how best to utilise the underspend at a future meeting.

There were no changes to report to the Capital Programme.

RESOLVED:
That the report be considered and the forecast outturn be noted.

15-16/CS/03 Treasury Management- Mid-Year Review Report to 30 September 2015

Mr G Chambers, Head of Finance and Treasurer, introduced his report on the treasury management activities of the Authority up to 30 September 2015.

He confirmed that the Authority sought to maximise its investments and gave the example of the transfer of funds from a Capita brokered account with Santander at 0.6% to an account direct with Santander with interest rate of 0.9%. All investments were approved by Capita, as the Authority's treasury advisers.

The Authority's budgeted investment return for 2015/16 was £99,400 and the Authority was on target to achieve this.

In response to a question, Mr Chambers confirmed that the Authority would be considering the use of Money Market Funds for short-term investments as the rate of return could be much higher.

RESOLVED:
That the report be received.

15-16/CS/038 Annual ICT Shared Service User Survey

Mrs A Ashwood, the Head of Strategic Support, presented the results of the annual ICT Shared Service User survey. A survey had initially been undertaken in 2010 and then again in 2014 with the intention of surveys being conducted annually from that point. The same questions had been used as for the previous surveys to provide benchmarking information. The survey was open to all employees in Bedfordshire and Cambridgeshire Fire and Rescue Services (number of personnel in Bedfordshire was 552). The results had improved in the majority of areas, although it was acknowledged that the response rate of 19% was low and that no responses had been received from Retained Duty staff at either Bedfordshire or Cambridgeshire (number of Retained personnel in Bedfordshire was 136).

Ways of engaging with the retained staff would be explored, as it was recognised that they accessed ICT services in a different way to wholetime staff.

Mrs Ashwood commented that the rollout of the Virtual Desktop Infrastructure would improve the user experience, particularly in relation to video streaming of training materials, but that there were some actions that could be taken in the interim.

She advised that the additional comments and free text were still being analysed and would be available for submission to the next meeting of the Policy and Challenge Group.

Members expressed disappointment at the low rate of return and the lack of response from retained staff.

CFO suggested that Members could obtain views on satisfaction with the ICT Service during visits to retained stations.

In response to a comment on question 7 (the Service Desk keeps you informed of progress with your problem), which had seen a decrease in satisfaction from the 2010 survey, Mrs Ashwood explained that this was the result of culture change, as members of staff used to be able to get a personal response by approaching members of the ICT staff in their office or during break times. The process of responding to faults had now been formalised and all calls were categorised and dealt with in priority order. The user received an initial response, but if it was a minor fault the user may not receive a further update until the job was completed.

RESOLVED:

1. That the outcome of the ICT Shared Service User Survey be received and the areas of improvement and focus of further analysis be noted.

2. That the analysis of the comments and free text be presented to the Policy and Challenge Group at its next meeting.

15-16/CS/039 Corporate Risk Register

SOC T Rogers submitted the Service's Corporate Risk Register in relation to Corporate Services. He advised that there were no changes to individual risk ratings and provided the following updates to the individual risk ratings:

CRR08: Inability of supplier to maintain supplies: The Service's key suppliers had been identified and robust business continuity and monitoring arrangements were in place to ensure service delivery in the event of a business interruption to their services. The Finance Team also undertook annual financial checks with key suppliers to provide a further level of assurance.

CRR27: *If we receive a poor budget settlement from Government and the Local Authorities covering both revenue and capital funds, and we have an adverse response from our Council Tax Precept consultation processes, then our ability to deliver a full range of services could be significantly affected*: The impact of the Autumn Statement had not yet been quantified.

CRR43: If the Service suffers a terrorist attack then there is the potential for elements of the Critical National Infrastructure (CNI) to be compromised, our ability to respond to emergency incidents could be significantly affected, we would be unable to fulfil our duties under the Civil Contingencies Act and our reputation could be adversely affected: Following a review of physical security arrangements, changes to parking and traffic flow at Service Headquarters were being considered.

RESOLVED:
That the review by the Service of the Corporate Risk Register in relation to Corporate Services be approved.

15-16/CS/040 Review of Corporate Services Policy and Challenge Group Effectiveness 2015/16

Members who had not previously returned their questionnaire results were given hard copies of the questionnaire to complete at the conclusion of the meeting.

RESOLVED:
1. That the effectiveness of the Group be considered.
2. That the results of the questionnaires completed by the Members be fed into the facilitated meeting to be held on 27 January 2016 to review the Fire Authority's effectiveness in 2015/16.

15-16/CS/041 Work Programme and Review of Paperless Meeting

The Policy and Challenge Group received its updated work programme and reviewed its sixth paperless meeting.

The provision of devices and the need for a system that would enable Members to access papers remotely, such as modern.gov, was discussed.

CFO advised that the Chair and Vice-Chair were currently trialling iPads and that the provision of devices for all Members could be considered, although it was recognised that some Members may wish to use their own devices to access papers electronically.

Additional ICT training for Members could also be provided if necessary.

RESOLVED:
1. That the Work Programme be received.
2. That the Fire and Rescue Authority be recommended to roll out the trial of paperless meeting to the other Policy and Challenge Groups and the Audit and Standards Committee from January 2016.
3. That the Fire and Rescue Authority consider the provision of standard ICT equipment for all Members of the Authority which is capable of running the Authority’s preferred solution for the electronic publication of agendas and Minutes.

The meeting ended at 11.20am.

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item No. 5

REPORT AUTHOR: **ASSISTANT CHIEF OFFICER (HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT)**

SUBJECT: **CORPORATE SERVICES PROGRAMME AND PERFORMANCE 2015/16 QUARTER THREE (APRIL TO DECEMBER 2015)**

For further information on this Report contact: Adrian Turner
Service Performance Analyst
Tel No: 01234 845022

Background Papers:

Previous Corporate Services Quarterly Programme and Performance Summary Reports

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Implications (tick ✓):

LEGAL	✓		FINANCIAL	✓
HUMAN RESOURCES	✓		EQUALITY IMPACT	✓
ENVIRONMENTAL	✓		POLICY	✓
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New		CORE BRIEF	

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To provide the Corporate Services Policy and Challenge Group with a report for 2015/16 Quarter 3, detailing:

1. Progress and status of the Corporate Services Programme and Projects to date.
2. A summary report of performance against Corporate Services Performance indicators and associated targets for Quarter Three 2015/16 (1 April 2015 to 31 December 2015).

RECOMMENDATION:

Members acknowledge the progress made on Corporate Services Programmes and Performance and consider any issues arising.

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1. Programmes and Projects 2015/16

1.1 Projects contained in this report have been reviewed and endorsed in February 2015 by the Authority's Policy and Challenge Groups as part of their involvement in the annual process of reviewing the rolling four-year programme of projects for their respective areas in order to update the CRMP in line with the Authority's planning cycle.

1.2 The review of the current programme of strategic projects falling within the scope of the Corporate Services Policy and Challenge Group has confirmed that:

- all existing projects continue to meet the criteria for inclusion within the strategic improvement programme;
- all existing projects remain broadly on track to deliver their outcomes within target timescales and resourcing;
- are within the medium-term strategic assessment for Corporate Services areas; and
- the current programme is capable of incorporating, under one or more existing projects, all anticipated additional strategic improvement initiatives relating to Corporate Services over the next three years.

1.3 Full account of the financial implications of the Corporate Services programme for 2015/16 to 2018/19 has been taken within the proposed 2015/16 Budget and Medium-Term Financial Plan, as presented to the Authority for agreement in February 2015.

1.3.1 Shared Services opportunities remain under consideration.

1.4 Implementation of the Virtual Desktop Infrastructure (VDI) (an ICT Shared Service joint project with Cambridgeshire Fire and Rescue Service) is now underway, with a number of end points installed and the majority of the Phase 0 users successfully migrated to VDI at the time of writing this report.

1.5 Changes in the Business Systems Improvement Programme are summarised as follows:

- The Pharos MIS Stabilisation and Upgrade work stream is now complete and transferred to Business as Usual;
- The Prevention and Protection Management System work stream has been initiated;
- The Retained Availability system work stream has moved into Implementation stage as a stand-alone system, and integration to other systems is now under review.

1.7 The HR and Payroll System Project is progressing, and the Service is close to signing the contract with the supplier.

1.8 Other points of note include the following:

- The Corporate Management Team monitors progress of the Strategic Projects monthly. The Strategic Programme Board reviews the Programme at least twice a year with the next Programme Board review scheduled for 11 March 2016.

1.9 Appendix A, gives a summary of status to date. The status of each project is noted using the following key:

Colour Code	Status
GREEN	No issues. On course to meet targets.
AMBER	Some issues. May not meet targets.
RED	Significant issues. Will fall outside agreed targets.

2. <u>Programme Summary and Exception Reports</u>

All projects are on target, there are no exception reports in this period.

3. Performance

3.1 In line with its Terms of Reference, the Corporate Services Policy and Challenge Group is required to monitor performance against key performance indicators and associated targets for areas falling within the scope of the Group. It has been previously agreed by the Group, that in order to facilitate this, it should receive quarterly summary performance reports at each of its meetings.

3.2 This report presents Members with the performance summary outturn for Quarter Three 2015/16 which covers the period 1 April to 31 December 2015. Performance is shown in Appendix B. The indicators and targets included within the report are those established as part of the Authority's 2015/16 planning cycle.

3.3 The status of each measure is noted using the following key:

Colour Code	**Exception Report**	**Status**
GREEN	n/a	Met or surpassed target
AMBER	Required	Missed but within 10% of target
RED	Required	Missed target by greater than 10%

4. Performance Summary and Exception Reports

All performance indicators are on target with the exception of:

WS1a Grade A Defect Response Time (within 1 hour): This failed due to one incident where the on duty mechanic was already dealing with an incident and was unable to reach a second incident within the prescribed time.

ZOE EVANS
ASSISTANT CHIEF OFFICER (HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT)

APPENDIX A

CORPORATE SERVICES PROGRAMME REPORT

Project Description	Aims	Performance Status	Comments
Shared Services	A programme to explore opportunities with partners for collaborating and sharing Services, e.g. through a shared structure and governance, providing enhanced customer focused services, resilience, and operating efficiency.	**No Active Work streams**	**Other Shared Services** This programme remains in place to encompass any future opportunities for shared services to be explored as they arise. No active projects. The Service remains vigilant to opportunities and these will be brought into this Programme as they arise.
Business Systems Improvement	Optimise the use of existing business systems and replace where appropriate.	**Green** **Green**	**Gazetteer** The Land and Property Gazetteer Managed Service provided by Cambridgeshire FRS has successfully migrated to the new Addressbase Premium service. The Incident Recording System interface is now integrated with a cut of the Land and Property Gazetteer data improving the quality of the addressing information. Additional work has been undertaken to deliver Addressbase and an associated spatial database into the replacement mobilising system working in partnership with Essex FRS. Our Management Information System has also migrated to the Land and Property Gazetteer. Address matching continues across some 36,000 fire safety records and 140,000 community records. **Asset Management.** Work is now focussed on building the requirements for the service wide asset management system which incorporates financial management and technical management. A repository for technical equipment data to support interim management of equipment and data capture process has been completed. Demonstrations of Asset Management Systems have taken place. These include those that are already in use or being procured in other Fire and Rescue Services. The outcomes of this exploration are continuing to be developed into user requirements and technical specification. A number of work streams have been identified by the Project Board to ensure the full scope of the Asset Management

Project Description	Aims	Performance Status	Comments
		   Green **Green**	System is delivered including financial management of our assets. We are engaging with Cambridgeshire and Devon and Somerset Fire and Rescue Services to re-establish any opportunities for joint working on common areas of interest in asset management. **Prevention and Protection Management System** A review of applications in use across Fire and Rescue Services has been undertaken include demonstrations. The project has also engaged with users from other FRS who have implemented such a system to share their experience and learning to inform our project. The project has identified key areas of Protection and Prevention that will require intermediate improvements ahead of the implementation of a new business system. The 101C database that records community safety activity has been developed using the STEP process automation solution. This is now being rolled out to the Community Safety Team ahead of a wider distribution to Stations. Further work is planned to integrate the Community Safety Assessment Tool into this solution. A Home Fire Safety Check process is also in the discovery stage for future development. **Retained Availability Software** As part of the Retained Duty System review, the Service is replacing its retained availability software. The Gartan solution has been procured. Implementation is underway with the supplier. The technical Server side aspect has been completed. An initial implementation is planned as a stand-alone system to address the immediate operational need. For the second stage an assessment of the integrations between systems needs to be identified. These integrations will be implemented using the STEP integration technologies. This will ensure primary data sources are shared across systems enhancing data accuracy and information flows.

Project Description	Aims	Performance Status	Comments
Business Systems Improvement (cont…)		**Green**	**HR & Payroll System** The Fire Authority, in their meeting of 21 October 2015, approved additional funding £74,000 to provide additional support to run the HR System Project due to new and continued work pressures on the HR Team. This support is now in place and delivering pre-implementation activities. Indicative system and service costs have been received from the system provider and Greater Manchester Fire and Rescue Service. Following an evaluation of the costs and services and an increase in our own capabilities and understanding the proposal will not be progressed further. Technical, contractual and payroll related meetings have been held with the prospective system provider. Various workstreams are now in train including those to identify information flows and requirements for maintaining MIS Personnel module as data repository. Final details of the contractual obligations are being finalised ahead of signature.

Project Description	Aims	Performance Status	Comments
Business Process Improvement	Optimise ways of working, re-engineering and automating where possible and providing integration between business systems.	**Green**	Community Safety (101C) process has been rolled out across the Community Safety Team. A second iteration is in development which incorporates management of amendments which is expected to be completed by the end of February. Sickness Absence Process with a write back to our main business system (MIS) has completed its final playback. Subject to some finalising of wording in notifications, a rollout is being planned for Control. In the meantime the process for alerting absences is being reviewed to ensure notification of operational absences are available in a manner that allows them to be acted upon at the earliest possible opportunity. Expenses Management - Agreement has been reached for the scanning of receipts to remove the requirement to manage paper receipts. The Business Information Team are exploring potential solutions to inform the requirements. Pre-arranged Overtime - The first playback of a process to replace the current manual system has completed with positive feedback, particularly around the write-back to the MIS. The feedback has identified a few refinements which are underway. A second playback to a wider audience is planned with by the end of March 2016. This process is expected to provide the template for use by Retained, Strategic Reserve, Control, those supporting Cadets, Firebreak other activities. Home Fire Safety Check/Safe and Well at Home process has been developed ready for first review by the process owner. Integration with our address gazetteer is planned. Wider work is underway in the Community Safety Team to agree the priorities for the risk-based Home Fire Safety Check Activities. Once approved the process will be embedded into the Community Safety Programme.

Project Description	Aims	Performance Status	Comments
			Integrations have been completed for the new Cohort system for occupational health. The integrations required for the anticipated HR system are being evaluated as part of the requirements checks. A Retained recruitment process is being developed by STEP central team, funded by transformation grant. This is the first development of a cloud-based process which will be available to any Fire and Rescue Service. There is interest from a number of fire and rescue services who see the opportunity to use it with integrations into their own back-end systems. A demonstration of the development to date is planned in the next few weeks.
Telephony System Replacement (Unified Comms)	Replacement of existing business Telephony system, including main switchboard, to a network (VOIP) system. This will provide unified communications for voice and data i.e. traffic goes down the same 'pipe'. Users will be able to access the same facilities on desk phones and computers. This excludes Control Room communications: ICCS and Mobs.	**Green**	The initiation of the project which will replace our existing traditional telephony with VOIP (excluding fire control system) is now underway with work to identify the requirements for the unified communications solution. A pilot is planned for Quarter 1 2016/17 focusing on the Training Centre with completion of the full service wide roll out expected Quarter 3 2016/17.

Project Description	Aims	Performance Status	Comments
Desktop Refresh (VDI)	All principle business systems will be packaged onto the Virtual Desktop server. Users to receive their virtual desktop from a central Server. Aim is to improve flexibility of working location, optimise data flows on the networks, increase resilience by removing local machines, reduce desk-side technical support by removing physical PCs, and provide the facility to stream good quality video. Links to the Telephony Project.	**Green**	The Virtual Desktop server and network configurations have been completed. The physical audit and analysis of applications used at wholetime stations has been completed. The core software has been built into the first VDI image. The issues identified with the MIS (Pharos) have been resolved subject to analysis in Phase 0. Phase 0 rollout is underway, and on schedule. This comprises a vanguard of reference users who will inform success ahead of Phase 1 rollout to Wholetime Stations in March. Phase 2 users comprises RDS Stations, Phase 3 remaining Terminal Services users and users who do not use their laptop for field work. The scope has been extended to Phase 4 to encompass remaining users who have more complex needs.
Information Security Management System	To introduce and information security management systems that meets the requirements of ISO27001 and associated Controls. This complements the Business Continuity and Risk Management project which also provided for the implementation of Protective Security.	**Completed**	As per the last Policy and Challenge Group Report, all work streams in this project were completed on 10 November 2015. The Information Security Project closure report will be presented to the next Strategic Programme Board scheduled for 11th March 2016.

SUMMARY OF CORPORATE SERVICES PERFORMANCE QUARTER THREE 2015/16

Finance									
Measure				2015-16 Quarter 3					
No.	**Description**	**Aim**	**Full Year Target**	**Five Year Average**	**Q3 2014 -15**	**Q3 Actual**	**Q3 Target**	**Performance against Target**	**Comments**
FNP3	**Percentage of Routine Financial Reports Distributed Within 6 Working Days of Period**	Higher is Better	90%	100%	100%	100%	90%	Green	11% Better than target
FNP5	**Percentage of Uncontested Invoices Paid Within 30 days**	Higher is Better	96%	94%	96%	96%	96%	Green	Met target
FNP6	**Percentage of Outstanding Debt Over 90 Days Old**	Lower is Better	2%	7.2%	1.1%	0.4%	2%	Green	81% Better than target

ICT									
IM1	**The Number of Incidents on Mission Critical services resolved within 1 Hour**	Higher is Better	90%	n/a	100%	100%	90%	Green	11% Better than target
IM2	**The Number of Incidents on Business Critical services resolved within 2 Hours**	Higher is Better	86%	n/a	89%	100%	86%	Green	16% Better than target
IM3	**The Number of Incidents on Business Operational services resolved within 4 Hours**	Higher is Better	83%	n/a	90%	99%	83%	Green	19% Better than target
IM4	**The Number of Incidents on Administration Services resolved within 8 Hour**	Higher is Better	80%	n/a	84%	94%	80%	Green	17% Better than target
AV1	**Core ICT services availability**	Higher is Better	97%	n/a	95%	100%	97%	Green	3% Better than target
AV2	**Business Applications Availability**	Higher is Better	97%	n/a	100%	100%	97%	Green	3% Better than target

Fleet & Workshops									
Measure				**2015-16 Q3**					
No.	**Description**	**Aim**	**Full Year Target**	**Five Year Average**	**Q3 2014 -15**	**Q3 Actual**	**Q3 Target**	**Performance against Target**	**Comments**
WS1a	**Grade A Defect Response Time (within 1 hour)**	Higher is Better	90%	n/a	96.58%	89.72%	90%	Amber	Missed target by 0.3%
WS1b	**Grade A Defect Response Time (within 2 hours)**	Higher is Better	95%	n/a	100.00%	97.27%	95%	Green	2% Better than target
WS2a	**The percentage of time when Rescue Pumping Appliances were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)**	Lower is Better	5%	n/a	2.54%	2.73%	5%	Green	46% Better than target
WS2b	**The percentage of time when Aerial Ladder Platforms & SRU were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)**	Lower is Better	5%	n/a	3.85%	3%	5%	Green	39% Better than target
WS2c	**The percentage of time when other operational appliances were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)**	Lower is Better	3%	n/a	0.67%	0.58%	3%	Green	81% Better than target
WS4	**The number of hours as a percentage the appliance is unavailable for operational response in the reporting period, other than for the time measured under the turn-a-round time. (Idle time)**	Lower is Better	2%	n/a	0.52%	1.06%	2%	Green	47% Better than target
WS5	**The total time expressed as a % when ALL Appliances were available for operational use after the turn-a-round time and idle time are removed from the total time in the reporting period.**	Higher is Better	93%	n/a	97%	97%	93%	Green	5% Better than target
WS6	**Annual Services undertaken**	Higher is Better	97%	1005	100%	100%	97%	Green	3% Better than target

Note: The comments column on the right hand side shows a comparison of actual against target as a percentage, it should be noted that all targets are represented as 100% and the actual is a percentage of that target. Document Last Saved 15/03/2017 17:17:00

Item 5.12 (Appendix B)

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item No. 6

REPORT AUTHOR: **ASSISTANT CHIEF OFFICER (HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT)**

SUBJECT: **PROPOSED CORPORATE SERVICES INDICATORS AND TARGETS FOR 2016/17**

For further information on this Report contact: Adrian Turner
Service Performance Analyst
Tel No: 01234 845022

Background Papers: None

Implications (tick ✓):

LEGAL			FINANCIAL	✓
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New		CORE BRIEF	

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To advise the Corporate Services Policy and Challenge Group of the proposed suite of Corporate Services performance indicators and associated targets for 2016/17 and to seek the Group's endorsement to incorporate these into the Service's performance management framework.

RECOMMENDATION:

That Members consider the proposed suite of Corporate Services performance indicators and targets for 2016/17 and endorse or require adjustment as appropriate.

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1. <u>Introduction</u>

In line with its Terms of Reference, the Corporate Services Policy and Challenge Group is responsible for monitoring the performance of those areas of the Service's work falling within its scope. In order to facilitate this, the Group receives quarterly summary performance reports at each of its meetings.

1.1 The Corporate Services Policy and Challenge Group are involved in the process of agreeing the suite of performance indicators and of setting the associated targets. This should take place, as far as practicable, alongside the annual budget setting, medium-term financial planning and strategic project planning processes. The Group's Work Programme for the current financial year therefore included this as an item for its meeting in March 2016.

1.2 This report advises the Corporate Services Policy and Challenge Group of the proposed measures and targets for 2016/17 which are contained in Appendix A.

1.3 The targets have been set taking account of Service plans, projects and budgetary allocations for 2016/17. The key considerations relevant to each area are outlined in the remaining sections of this Report. In addition, relevant external benchmarking and previous baseline performance data are detailed in the tables for each Indicator in Appendix A, alongside the associated Target Setting Rationale.

2 Notes

2.1 **ICT** - In 2014/15 the newly formed ICT Shared Service introduced a wide ranging programme of change, adopting best practice and process controls. As a result ICT Performance has shown a steady improvement as the practices and controls were introduced, achieving or exceeding performance targets across the suite of ICT indicators for the first time in 2015/16. In 2016/17 the performance targets have been made more stretching. The Virtual Desktop Infrastructure will be rolled out focussing on improving user experience and bringing about a change in the way user IT is supported. The performance of ICT will benchmark the impact of VDI and provide a three year trend following the introduction of the ICT Shared Service. This will lay the foundation for a review of the measures and targets in 2017/18 reflecting the new technologies introduced and anticipated.

2.2 **Property** - A report was previously presented to the Corporate Services Policy and Challenge Group (CSP&CG) in December 2014, proposing to cease the use of external property benchmark indicators. These had been created as part of a pilot that had ended and the report introduced new local station based indicators. This approach was agreed at that meeting. Following on from this, the property performance indicators for 2016/17 will be based on using the 2015/16 actual usage data per station for water, electricity and gas. These indicators are not included within this report as they will be reported post the year end when all of the data is available. As well as setting the indicators for 2016/17, there will be a review of the 2015/16 usage based on the 2014/15 benchmarks set. The new 2016/17 targets for water, gas and electricity will be reported in the Asset Management Plan for Land and Buildings, that will be presented to the CSP&CG in June 2016.

ZOE EVANS
ASSISTANT CHIEF OFFICER (HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT)

Appendix A

Proposed Corporate Services Performance Indicators and Targets for 2016/17

FINANCE								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**Benchmark Performance Data**	**BFRS Baseline Performance**	**BFRS Target 2015/16**	**BFRS Target 2016/17**	**Target Setting Rationale**
FNP1	Budget requirement of Fire and Rescue Service (£ per 1,000 population) **Performance Indicator to be used for information only**	Annual Budget	Annually	N/A	2010/11 £41.90 2011/12 £47.29 2012/13 £44.33 2013/14 £45.45 2014/15 £45.43 2015/16 £44.82 2016/17 £45.01	N/A	N/A	The indicator is based on our budget requirement divided into our projected population (based on DCLG forecast population).
FNP2	Accuracy of net budget forecast outturn at periods 6 & 9 (Sept and Dec) against actual outturn - variance between forecast and actual outturn	Value for Money Indicator P13	Annually	Target was met in previous year's outturn, compared to estimates at prior periods.	2011/12 Per 9 £185k 2011/12 Per 12 £42k 2012/13 Per 9 £560k 2012/13 Per 12 £351k 2013/14 Per 9 £22k 2013/14 Per 12 £70k 2014/15 Per 9 £89k 2014/15 Per 12 £7k	Less than £600,000	Less than £600,000	The Audit Commission use a 2% materiality limit when auditing the accounts, so this has been applied to our budget requirement, and identifies the target as £600,000.
FNP3	Percentage of routine financial reports distributed within 6 working days of period-end closure	Value for Money Indicator P12	Quarterly	To date, apart from 2012/13 where IT matters prevented this, all met.	2008/09 100% 2009/10 100% 2010/11 100% 2011/12 100% 2012/13 91.67% 2013/14 100% 2014/15 100%	90%	90%	Out of 12 budget manager reports distributed each financial year, one miss would be 8.33%, so this has been rounded down to 90%.

FINANCE Contd								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**Benchmark Performance Data**	**BFRS Baseline Performance**	**BFRS Target 2015/16**	**BFRS Target 2016/17**	**Target Setting Rationale**
FNP4	Compliance of annual statement of accounts processes with statutory timescales and quality criteria	CPA/CAA Use of Resources Assessment and CIPFA Benchmarking	Submitted annually following Approval of Accounts post-Audit by the end September each year. Statutory Benchmark performance is: 1. Submission of Accounts for Audit by end of June. 2. Subject to unqualified External Audit Opinion		2009/10 100% 2010/11 100% 2011/12 100% 2012/13 100% 2013/14 100% 2014/15 100%	100%	100%	Aim to achieve continuing compliance with all statutory timescales and quality criteria.
FNP5	Percentage of uncontested invoices paid within 30 days	Best Value Performance Indicator 8	Quarterly	It is anticipated that the 14/15 target of 96% will be just met.	2009/10 86.6% 2010/11 91% 2011/12 93% 2012/13 94% 2013/14 96% 2014/15 96%	96%	97%	Target to be increased from 96% to 97% for 2016/17
FNP6	Percentage of outstanding debt over 90 days old	Value for Money Indicator S18	Quarterly	Aim to minimise the extent of debt over 90 days old. Ideally there would be no such debt but there are instances where this cannot be achieved despite appropriate recovery action.	2008/09 9.25% 2009/10 17.96% 2010/11 22.6%. 2011/12 6.47% 2012/13 0.94% 2013/14 1.22% 2014/15 0.79%	Less than 2%	Less than 1.5%	Target has been revised down over recent years from 3% to 2% and now 1.5%.
FNP7	Percentage of annual planned efficiency savings achieved by year end	Local	Annually	100% or more achieved since 09/10	2008/09 68.29% 2009/10 135.95% 2010/11 185.12% 2011/12 100% 2012/13 100% 2013/14 100% 2014/15 100%	100%	100%	Aim to achieve total of budgeted efficiency target within 2015/16.

FINANCE Contd								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**Benchmark Performance Data**	**BFRS Baseline Performance**	**BFRS Target 2015/16**	**BFRS Target 2016/17**	**Target Setting Rationale**
FNP8	Return on investment	Actual interest rate achieved	Annually	N/A	2013-14 1.36% 2014/15 0.93%	0.90%	0.90%	For 2016/17, to increase the target from 0.30% to 0.40% above the Bank of England Base Rate, which is forecasted at 0.5% for 2016/17.

INFORMATION AND COMMUNICATION TECHNOLOGY								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**Benchmark Performance Data**	**BFRS Baseline Performance**	**BFRS Target 2015/16**	**BFRS Target 2016/17**	**Target Setting Rationale**
ICT1	User Satisfaction		Annual	Better than ICTSS 60.2% starting benchmark set by earlier survey.	2014 60.73% 2015 67.5%	70%	70%	Performance improving from inception of ICT Shared Service although target of 70% still to be achieved.
IM1	The Number of Incidents on Mission Critical services resolved within 1 Hour	Joint Catalogue of Services	Quarterly	Catalogue of Services SLA. All Mission Critical, Priority A and B Incidents resolved within 1 hour.	2014/15 100% 2015/16 Q3 100%	90%	98%	Resources are diverted from other incidents and work to deal with Mission Critical Services incidents.
IM2	The Number of Incidents on Business Critical services resolved within 2 Hours	Joint Catalogue of Services	Quarterly	Catalogue of Services SLA. All Business Critical, Priority A and B Incidents resolved within 2 hours.	2014/15 92% 2015/16 Q3 100%	86%	96%	Performance in 14/15 and first three quarters of 15/16 have consistently exceeded target. The 16/17 target is increased whilst acknowledging that resources may be diverted to Mission Critical Incidents and Projects. The small number of incidents of this type makes the impact of a single incident on performance significant.
IM3	The Number of Incidents on Business Operational services resolved within 4 Hours	Joint Catalogue of Services	Quarterly	Catalogue of Services SLA. All Business Operational, Priority A and B Incidents resolved within 4 hours.	2014/15 92% 2015/16 Q3 99%	83%	90%	

INFORMATION AND COMMUNICATION TECHNOLOGY contd								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**		**BFRS Baseline Performance**	**BFRS Target 2015/16**	**BFRS Target 2016/17**	**Target Setting Rationale**
IM4	The Number of Incidents on Administration Services resolved within 8 Hour	Joint Catalogue of Services	Quarterly	Catalogue of Services SLA. All Administration I Priority A and B Incidents resolved within 8 hours.	2014/15 88% 2015/16 Q3 94%	80%	90%	The highest proportion of incidents fall into this category. Performance has consistently exceeded target by 15%. The anticipated draw on resources to support priority projects throughout 2016/17 is expected to reflect in the performance outcome for these lower category incidents.
AV1	Core ICT services availability	Joint Catalogue of Services	Quarterly	Catalogue of Services Core ICT availability median 98%	2014/15 97% 2015/16 Q3 100%	97%	97%	Target meets the agreement for levels of Service from ICT.
AV2	Business Applications Availability	Joint Catalogue of Services	Quarterly	Catalogue of Services Core ICT availability median 98%	2014/15 97% 2015/16 Q3 100%	97%	97%	Target meets the agreement for levels of Service from ICT.

FLEET & WORKSHOPS						
Ref	**Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 20115/16**	**BFRS Target 2016/17**	**Target Setting Rationale**
WS1a	Grade A Defect Response Time (within 1 hour)	Quarterly	2014/15 93%	90%	90%	Targets to remain the same as last year, this is the second full year of these measure
WS1b	Grade A Defect Response Time (within 2 hours)	Quarterly	2014/15 97%	95%	95%	
WS2a	The percentage of time when Rescue Pumping Appliances were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Quarterly	2014/15 2.49%	5%	5%	
WS2b	The percentage of time when Aerial Appliances and SRU were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Quarterly	2014/15 3.70%	5%	5%	
WS2c	The percentage of time when other operational appliances were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Quarterly	2014/15 0.76%	3%	3%	
WS4	The number of hours as a percentage the appliance is unavailable for operational response in the reporting period, other than for the time measured under the turn-a-round time. (Idle time)	Quarterly	2014/15 0.36%	2%	2%	
WS5	The total time expressed as a % when ALL Appliances were available for operational use after the turn-a-round time and idle time are removed from the total time in the reporting period.	Quarterly	2014/15 98%	93%	93%	

PROPERTY					
Ref	**Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2016/17**	**Target Setting Rationale**
Pr01	Total Electricity Consumption	Annual	2014/15 242881 (KWh)	TBA	Targets to be based on best of last two years to be advised at June P&C Group meeting
Pr02	Total Gas Consumption	Annual	2014/15 1252339 (KWh)	TBA	
Pr03	Total Water Consumption	Annual	2014/15 6314 (M^3)	TBA	

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
07 March 2016
Item No. 7

REPORT AUTHOR: **ASSISTANT CHIEF OFFICER (HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT)**

SUBJECT: **NEW INTERNAL AUDIT REPORTS**

For further information on this report contact: Karen Daniels
Service Assurance Manager
Tel No: 01234 845013

Background Papers: Baker Tilly Strategy for Internal Audit
Bedfordshire Fire Authority 2015/16 to 2017/18

Implications (tick ✓):

LEGAL			FINANCIAL	✓
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New		CORE BRIEF	

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To present the report on internal audits completed since the last meeting of the Corporate Services Policy and Challenge Group.

RECOMMENDATION:

That Members receive the attached internal audit report and endorse the associated management comments/actions which will be added to the Audit and Governance Action Plan Monitoring report.

---

1. <u>Background</u>

1.1 Internal audits are completed in accordance with the Internal Audit Annual Plan agreed by the Audit and Standards Committee.

1.2 Each internal audit report details:

- the specific audit conducted,
- the scope of the audit,
- an assessment of the controls in place to manage the relevant objectives and risks,
- the auditors recommendations and priority of these, and
- an action plan which has been agreed with the appropriate Functional Head and approved by the relevant Principal Officer for incorporation into the Audit and Governance Actions Monitoring report.

1.3 All internal audit reports are presented to the appropriate Policy and Challenge Group for endorsement of the actions arising.

2. <u>Internal Audit Reports</u>

2.1 The Appendix A to this report presents the internal audit reports on:

- Governance (completed on 21 January 2016; report finalised on 19 February 2016) (Appendix A). Conclusion: Green – Substantial Assurance.

2.2 The actions arising from the above audits will be incorporated as ‘new’ actions within the Audit and Governance Actions Monitoring Report in June 2016 for on-going monitoring by the Policy and Challenge Group.

2.3 Any slippage or other exceptions arising will also be reported to and monitored by the Audit and Standards Committee.

ZOE EVANS
ASSISTANT CHIEF OFFICER (HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT)

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BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Governance

FINAL

Internal Audit Report: 4.15/16

19 February 2016

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2 Action plan 5
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Debrief held	21 January 2016	**Internal Audit team**	Daniel Harris, Partner Suzanne Lane – Senior Manager Alan Grisley - Assistant Manager Chris Davies- Senior Auditor
Draft report issued	9 February 2016		
Responses received	18 February 2016		
Final report issued	19 February 2016	**Client sponsor**	Alison Ashwood - Head of Strategic Support Karen Daniels - Audit and Performance Manager
		Distribution	Alison Ashwood - Head of Strategic Support Karen Daniels - Audit and Performance Manager

1 EXECUTIVE SUMMARY

1.1 Background

An audit of Governance was undertaken as part of the approved internal audit periodic plan for 2015/16. The audit considered the structure of Bedfordshire Fire and Rescue Authority (Authority) and Bedfordshire Fire and Rescue Service (Service) and whether strategic plans had been set and approved. The review also considered the assurances being given to the achievement of the strategic objectives and how these assurances were reported.

The structure of the Authority consists of the following:

- An Audit and Standards Committee which has delegated powers and reports direct to the Authority; and
- Three Policy and Challenge Groups covering Corporate Services, Service Delivery and Human Resources. These are advisory groups and the minutes from their meetings are escalated to the Fire Authority. Members of the Authority sit on these committees through an exercise whereby they specify preferred interests and skills.

In addition, all meeting minutes, reports, agendas, and register of interest have made available for public scrutiny via the website.

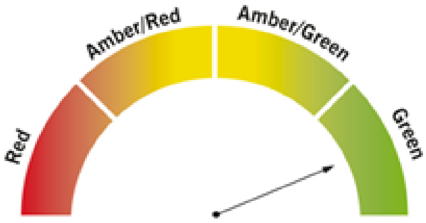
The Authority performs an Annual Review of Effectiveness through the use of a questionnaire to all members and officers who attend the Authority's meetings. The results of the questionnaire feed in to an action plan which is approved by the Authority. The Authority makes available the Annual Review of Effectiveness and an Annual Governance Statement through the Service's website.

1.2 Conclusion

The findings from the review have indicated that Governance within the Authority and the Service is well structured and organised and that members can place reliance upon the assurances given in respect of strategy, strategic objectives and the effectiveness of the organisation.

Internal Audit Opinion:

Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- The Authority has a clearly defined governance structure consisting of the Audit and Standards Committee who have delegated authorities and report directly to the Authority and three Policy and Challenge Groups who also report directly to the Authority. Each of these Committees / Groups had Terms of Reference which are reviewed on an annual basis and amended where appropriate. However, the ToRs do not detail the reporting lines for each. This has resulted in a **Low** category management action.

- The Service Assurance Manager has a clear structure chart showing membership of the Authority and the various committees, however this is not available to staff. We have **suggested** that the structure should be posted onto the Authority website as an aid to understanding the workings of the Authority and their member responsibilities.

- Dependent upon what the strategic objective relates to, respective responsibility for delivery and monitoring of the strategic objectives has been placed within the remit of the three Policy and Challenge Groups. (Corporate Services, Service Delivery or HR). Their remit is to monitor the progress of their individual projects as identified in the Community Risk Management Plan. They meet on a quarterly basis and the minutes of the meetings show where members are challenging items coming before the group. These groups are supported by Principal Officers who attend the meetings.

- In order for the Policy and Challenge Groups to be effective, members undertake an exercise to indicate their preferences to which group they wish to be a member of and the skills that they bring to the group. Group membership is however decided at the Annual General Meeting (AGM) meeting of the Authority.

- There is an up to date Community Risk Management Plan (CRMP) which sets out the strategic objectives for the Service. This is supported by the Service Business Plan and various operational strategies, including the individual station plans, Land and Buildings Asset Management Plan, Youth Engagement Strategy, Water Safety Strategy, Communications Strategy, Community Safety Strategy, ICT Asset Plan, People Strategy, Transport Asset Plan.

- Performance is regularly monitored with the Policy and Challenge Groups reviewing their respective indicators and the Chief Fire Officer reporting on the overarching performance of the Service on an annual basis. However, whilst this is within the meeting minutes on the website, this is not transparent and a **Low** category management action has been raised to show this as a headline statement on the web page.

- All meeting minutes and supporting documentation of the Policy and Challenge Groups and the Audit and Standard Committee are reported to the Fire Authority at each of their meetings which are held on a quarterly basis.

- The Fire Authority performs an annual review of its effectiveness. A report is presented to the Audit and Standards Committee and then to the Authority for approval. An action plan is created as a result of the effectiveness review but this is not monitored centrally and a **Low** category management action has been raised to ensure that there is clear and concise monitoring of the plan.

- The Annual Governance Statement includes a suitable statement against each element of the Code of Governance Framework. The Annual Governance Statement is signed off by both the Chair of the Authority and the Chief Fire Officer.

- The Audit and Standards Committee and the three Policy and Challenge Groups also conduct a review of their own effectiveness which identifies their achievement and also any training requirements. Regular training is conducted and also two Members days have been held this year (2015/16).

- A Members Handbook is issued to all members and is also accessible on the website. However not all documents reflect the correct name of the Authority and a **Low** category management action has been raised in order to update the documents.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Governance	0 (11)	7 (11)	4	0	0
Total	0 (11)	7 (11)	4	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

1.5 Progress made with previous audit findings

Date of previous audit: 13 January 2016			
	High	Medium	Low
Number of actions agreed during previous audit	0	1	1
Number of actions implemented/ superseded	0	1	1
Actions not yet fully implemented:	0	0	0

As part of this review the Authority has demonstrated good progress in implementing actions agreed to address internal audit recommendations made within the Governance Review of March 2014. Of the one “medium” and one “low” priority recommendations followed up, we confirmed that both have been implemented in full.

2 ACTION PLAN

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Governance					
1.1	Whilst the Authority has a simple structure, it is not clearly defined within the attached Terms of References whom they report to.	Low	The TOR's should be updated to include the reporting lines of each Committee / Group.	31/07/2016	Service Assurance Manager
1.2	The annual overarching performance report for the period 2014/15 stated that subject to any amendments the report will be published on the Services website. The report is on the website as part of the BFRS meeting minutes but there is no separate entry and therefore it is not very visible.	Low	That the annual overarching performance report be clearly visible on the service website.	28/02/2016	Service Assurance Manager
1.3	We obtained the report of the annual review of the Fire Authority's Effectiveness for 2014/15 and confirmed that it included 16 actions as a result of the completed review. However, there is no formal SMART action plan, although the issues have been addressed throughout the meetings.	Low	The Authority to ensure that the agreed action plan is revised to contain SMART attributes to enable successful monitoring and where appropriate, specifies lead members / /employees for each	31/04/2016	ACO

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
	We also noted that actions had not been assigned to individual members / employees or the Authority as a collective.		action.		
1.4	Some of the documents within the Members Handbook and accompanying pack contained the old authority name.	Low	The Members Handbook to be reviewed and documents updated to reflect the correct name of the Authority.	28/02/2016	Service Assurance Manager

3 DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Area: **Governance**						
1.1	The Authority has a dedicated webpage on the Service website where the organisation defines the structure of the Authority. The webpage reflects the Audit and Standards Committee and three Policy and Challenge Groups, which have delegated responsibilities from the Audit and Standards Committee, and report in to the Authority. Each committee and group of the Authority has established their own Terms of Reference which has been subject to a regular review and approval by the Authority.	Yes	Yes	By review of the Service website we confirmed that there is a dedicated page for the Authority. We confirmed that the page included a description of the structure and purpose, member details and Terms of Reference for each group/committee and the Authority. However, although the Authority has a simple structure, it is not clearly defined within the attached Terms of References whom they report to. The risk of not documenting reporting lines is that key documents may not be reported to the correct Committees / Boards, therefore leading to the decision process being delayed or no decisions made at all. We were presented with a structure chart for the Authority which had been produced by the Service assurance Manager. This clearly shows membership of the various groups and committees and clearly reflects their reporting lines. It would therefore be good practice to include this on the Authority website. We also observed that the Service had created an organisational structure chart for its personnel made available from its Internet site. We confirmed that it clearly defined the reporting lines and mechanisms for its employees.	Suggestion Low	Include a detailed member structure chart reflecting committee membership and reporting lines on the website. The TOR's should be updated to include the reporting lines of each Committee / Group.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
1.2	The service has an Organisational Performance Policy which sets out what is expected of both the Service and individual employees in respect of performance and what is expected of them in the achievement of the service Vision and Objectives. The policy also covers responsibilities and reporting requirements. On an annual basis an overarching performance report is presented by the Chief Fire Officer to the BFRS. This is aligned to the Services strategic objectives and strategies.	Yes	No	We obtained a copy of the Organisational Performance Reporting Policy and noted that it was dated January 2015 and was available on the Service Intranet. The document reflects the policy and processes being used to establish and support a range of performance Indicators across the service which are overseen by the three Policy and Challenge Groups, dependent upon the PI. The responsibility for these PI's rests with the respective Principal Officer. We reviewed the Annual Overarching Performance Report for the period 2014 /15 which was presented to the Authority meeting of 15 July 2015. The report noted the various Policy and Challenge Groups were responsible for reviewing the performance indicators which fall within their remit. The minutes showed clear evidence of performance challenge. We confirmed from observation that the report is on the website as part of the BFRS meeting minutes, there is no separate entry and therefore not very visible.	Low	That the Annual overarching performance Report be clearly visible on the Service Website.
1.3	Following the completion of the Annual Review of the Fire Authority's Effectiveness an Action Plan is established to improve elements of the Fire Authority and to continue to deliver effectiveness.	Yes	No	We obtained the report of the annual review of the Fire Authority's Effectiveness for 2014/15 and confirmed that it included the actions as a result of the completed review. We noted that it included 16 actions but that there is no formal action plan in place. However, the Annual Governance Statement for 2014/15 produced by the Authority Head of Finance / Treasurer for the Audit and Standards Committee in June 2015 states that the Issues and Improvement Actions identified by 2014/15 Annual Governance Statement	Low	The Authority to ensure that the agreed action plan is revised to contain SMART attributes to enable successful monitoring and where appropriate, specifies lead members / /employees for each action.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				include: • Review of Authority Effectiveness: • Improvement Action Planned: • All actions from the 2014/15 Review of Authority Effectiveness Action Plan to be completed during 2015/16 and formally reviewed by Members as part of the following year's process. From our review of Audit and Standards Committee minutes and Policy and Challenge Group minutes it is evident that the majority of actions listed have been addressed but an actual action plan with SMART objectives, responsibilities, timescales and progress made would be easier to monitor. Without defined actions conducted in a SMART manner the Authority could potentially fail to clearly conclude whether actions have been successfully implemented. On review of the minutes of the Authority in 2015 it is not evident that the organisation has reviewed its performance against the action plan in-year. We do accept that during the annual review process the achievement of the existing action plan is considered and this was verified by the Administration Manager. We accept that it is sufficient for the Audit and Standards Committee to monitor this during its examination of the Annual Review of the Fire Authority's Effectiveness.		
1.4	The Authority has a Members Pack/ Handbook which is provided to all new members on their induction. The documentation is also accessible to members the Internet.	Yes	No	We obtained the Members Handbook and accompanying pack of documentation direct from the Authority's website. On review of the documentation we confirmed that the guidance was suitable and up to date. However, some of the documents contained	Low	The Members Handbook to be reviewed and documents updated to reflect the correct name of the Authority.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				the old Authority name. We also noted that members were given clear instructions on their conduct and allowances.		

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APPENDIX A: SCOPE

Scope of the review

The internal audit assignment has been scoped to provide assurance on how Bedfordshire Fire and Rescue Authority manage the following area. The scope was planned to provide assurance on the controls and mitigations in place relating to the following Areas: Governance

Objective of the area under review
The Statement of Assurance is in place that sets and manages the medium and long terms objectives, plans and strategies.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

The following areas will be considered as part of the review:

- The Financial regulations and scheme of delegation are consistent with the terms of reference for committee and Policy and Challenge Groups,
- Strategic plans and objectives have been set and approved by the Authority and responsibilities for monitoring and reporting delegated to subcommittees and Policy and Challenge Groups, reflected within their terms of reference and minutes.
- Responsibility for delivery and monitoring of the objectives has been effectively assigned to appropriate individuals and oversight sits with an appropriate committee.
- The development of metrics to enable monitoring of performance against delivery.
- The method for receiving assurances on the achievement of objectives.
- The process for the receipt and recording of assurances and the reporting of assurances to relevant committees including the process for escalating to the Authority.
- The Terms of Reference are reasonable covering membership, frequency and quoracy of meetings and enable the identified groups to effectively discharge their statutory duties and delivery of objectives.
- The process for monitoring the effectiveness of members in discharging their duties and identifying subsequent training needs.
- There is evidence in papers and minutes that adequate information within reports is supplied to enable decision making at Committee level including challenge and agreement of action which is followed up.
- Assurance on performance against strategies, plans and objectives are reported up to the Authority including what action is being taken against poor performance where there is challenge.
- We will also perform a comparison of the strategic plan development and setting process together with the strategic plans between Essex, Bedfordshire and Cambridgeshire Fire Authorities. Findings on this aspect will be provided separately.

Limitations to the scope of the audit assignment:

The following limitations apply to the scope of our work:

- This review will cover the period from 1st April 2015. The review has not covered all aspects of governance. The aim was to provide assurance that the key governance processes are in operation as included within the areas for review. As such this review should not be considered to provide assurance over the whole governance process.
- We have not included in our review the objective setting process or ensure accuracy of reporting against these.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss of fraud does not exist. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

FOR FURTHER INFORMATION CONTACT

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item No. 8

REPORT AUTHOR: **ASSISTANT CHIEF OFFICER (HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT)**

SUBJECT: **AUDIT AND GOVERNANCE ACTION PLANS MONITORING REPORT**

For further information on this report contact: Karen Daniels
Service Assurance Manager
Tel No: 01234 845013

Background Papers:

- Action Plans contained in Internal and External Audit Reports
- Action Plan contained in the Annual Governance Statement 2014/15
- Minutes of the Audit Committee dated 5 April 2012

Implications (tick ✓):

LEGAL			FINANCIAL	✓
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	✓
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New		CORE BRIEF	

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To report on progress made to date against current action plans arising from internal and external audit reports and from the Fire Authority's 2014/15 Annual Governance Statement and consider the proposed extension date for completion of the Fleet & Equipment Asset Tracking action.
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RECOMMENDATION:

That Members acknowledge progress made to date against the action plans and consider any issues arising and endorse the recommendation to extend the completion date..

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1. Introduction

1.1 The Members of the Audit and Standards Committee previously endorsed that the Committee should receive monitoring reports at each of its meetings advising of progress against current action plans arising from internal and external audit reports, and the Authority's Annual Governance Statement.

1.2 In their meeting on 5 April 2012, Members of the Audit and Standards Committee agreed that progress on the action plans be reported to each meeting of the appropriate Policy and Challenge Group and action point owners report progress by exception to the Audit and Standards Committee. This is the fourth report to the Corporate Services Policy and Challenge Group for the year 2015/16.

2. Monitoring Report of Actions Arising from Internal and External Audit Reports

2.1 The monitoring report of progress made to date against agreed actions arising from internal and external audit reports is attached as Appendix A.

2.2 The monitoring report covers, in order, the following:

- Outstanding actions from internal and external audit reports, including those reports received during 2015/16 and those from previous years, which have a proposal to extend the original completion date.
- Outstanding actions from internal and external audit reports, including those reports received during 2015/16 and those from previous years, which are on target to meet the original or agreed revised completion date.
- Completed actions which are subject to a subsequent or follow up audit. These will remain on the report until this follow-up audit is completed.
- Completed actions that are of a Low risk and do not require a follow-up audit. These will be removed from the report once they have been reported as completed to the Policy and Challenge Group.
- Any actions that have been superseded by new actions. (Actions are removed from the report once they have been reported as superseded to the Policy and Challenge Group.)

2.3 There are no requests to extend the original completion date.

3. <u>Monitoring Report of Actions Arising from the Authority's Annual Governance Statement</u>

3.1 The monitoring report of progress made to date against actions arising from the Authority's Annual Governance Statement is attached as Appendix B.

3.2 The monitoring report covers the actions within the 2014/15 Annual Governance Statement (if applicable) which was formally adopted by Members of the Audit and Standards Committee, on behalf of the Authority, at their meeting on 25 June 2015, as part of the 2014/15 Statement of Accounts.

3.3 There are no requests to extend the original completion date.

4. <u>Priority Grades</u>

4.1 The Service Audit Outcomes in Appendix A have a priority grading system. The table below explains the key to the priority grades:

RSM (formerly Baker Tilly & RSM Tenon)	High	Recommendations are prioritised to reflect RSMs assessment of risk associated with the control weaknesses.
	Medium	
	Low	

5. <u>Organisational Risk Implications</u>

5.1 The actions identified within internal and external audit reports and the Annual Governance Statement represent important improvements to the Authority's current systems and arrangements. As such, they constitute important measures whereby the Authority's overall management of organisational risk can be enhanced.

5.2 In addition, ensuring effective external and internal audit arrangements and the publication of an Annual Governance Statement are legal requirements for the Authority and the processes of implementation, monitoring and reporting of improvement actions arising therefore constitute an important element of the Authority's governance arrangements.

ZOE EVANS
ASSISTANT CHIEF OFFICER (HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT)

URN	Auditing Body & Source	Audit Area and Responsible Manager	Priority	Agreed Action	Progress Report to Date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
FEAT (14/15) 2.1	**Baker Tilly** Nov 14: Final Report (14/15) **Follow up** Jun15: Final Report (14/15)	Fleet & Equipment Asset Tracking Head of Operational Support	High	The Authority should evaluate the use and application of the following possible methods of improving its data capture and the record keeping of its operational equipment: • Produce and implement an improved spreadsheet, this could be an access database that ensures that sufficient information is captured in a consistent form so the information can be easily sorted and filtered as required. • Implement and use the Authority's existing asset management system. • Procure a new asset management system. The Authority should also consider the application of a barcoding system or portal devices to improve efficiency and accuracy enough to justify the additional cost.	The Service has completed an evaluation of the use and application of methods to improve data capture and record keeping of its operational equipment. We have improved our spreadsheets with an underlying database in March 2015 to improve recording, management, accessibility and consistency of records through a database-led approach. To support this further the Service conducted themed audits of the management and recording of operational assets at all stations. These audits completed in October 2015. An evaluation of the existing facility in the Service's Management Information System was undertaken in with a full assessment of the capabilities with the support of the supplier. The evaluation, completed in February 2015, found that the benefits were limited by the capabilities of the software and the benefits of the wider improvements in existing records outweighed the significant work and cost required to migrate. The Service has evaluated the capabilities and benefits of modern asset management software and associated tracking devices (such as bar-code systems). A project to implement an Asset Management system is incorporated into the Service's programme	**Original** Mar 16	Completed – To be confirmed by follow up audit

Monitoring Report of Actions Arising from Audit Reports **APPENDIX A**
(incorporating any actions outstanding at 31 March 2015 from earlier reports)

URN	Auditing Body & Source	Audit Area and Responsible Manager	Priority	Agreed Action	Progress Report to Date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
					of improvement with oversight from the Strategic Programme Board.		
PROC (15/16) 1a	**RSM** Nov 15: Final Report (15/16)	Procurement Head of Finance & Asset Management & Treasurer to FRA	Medium	**New** The Authority will liaise with ISC to decide if they should acquire the functionality to run reports of all user approval limits and user approval limit changes. If obtained this will then be used to implement a process of regular review and reconciliation of approval limits from the Great Plains System against the hard copy authorised signatory list held by the Finance team.	ISC have advised that the system cannot do this. The Finance Team have therefore implemented a process whereby spot checks/samples, are checked annually.	**Original** Nov-15	Completed – To be confirmed by follow up audit
PROC (15/16) 2b	**RSM** Nov 15: Final Report (15/16)	Procurement Head of Finance & Asset Management & Treasurer to FRA	Medium	**New** The Authority will ensure that for all contracts between £2k and £10k a minimum of three quotes and/or market evidence of best value are obtained and retained. In addition, for all contracts between £10k and £50k the appropriate written quotes are received and processed through the Bluelight system for E-Tendering. Alternatively, the Authority will ensure that the appropriate waiver forms are completed and approved	The Procurement Manager has now introduced a process to capture these purchases and a process to review the files held by Budget Mangers too.	**Original** Nov-15	Completed – To be confirmed by follow up audit

URN	Auditing Body & Source	Audit Area and Responsible Manager	Priority	Agreed Action	Progress Report to Date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
				in line with the Authority's procedure to ensure value for money is being considered.			
FEAT (14/15) 2.3	**Baker Tilly** Nov 14: Final Report (14/15) **Follow up** Jun 15: Final Report (14/15)	Fleet & Equipment Asset Tracking Head of Operational Support	High	1. The Authority must undertake an exercise to document and ensure that all equipment that requires safety/service checks are recorded and that such checks are not overdue. In order for this process to be completed efficiently and quickly we would strongly recommend the following approach is taken: 2. The Technical Team should produce a data capture spreadsheet based on the required fields within the MIS system. This would allow the information to be captured consistently and possibly allow the software developer to import the data in to the MIS system. 3. The spreadsheet should then be issued to the stations and stores to populate the data about the equipment they hold and then returned to the technical team (The	1. This work was completed within a few days, no such equipment was found to be requiring safety checks, all items of equipment were recorded on a new spread sheet. 2. Data cleansing has been finalised for this year and will be exported to the new asset tracking system when procured. The 14 station audits of appliances and equipment has now been completed and we have finalised the population of the cleansed data onto the spreadsheets.for this year 3. Completed and addressed during station audits of operational equipment and appliances. The spreadsheet has now been moved from SharePoint to STEPS. New functionality of the system will ensure	**Original** Dec 15	Completed – To be confirmed by follow- up audit

URN	Auditing Body & Source	Audit Area and Responsible Manager	Priority	Agreed Action	Progress Report to Date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
				Service has decided not to do this, see Management comment and amend this bullet point) The returned spreadsheets should then be combined into a single central record and securely protected. The records should then be cross referenced back to the paper record to safety inspection reports to ensure that all equipment that requires a safety check has had one in the required time frame. If any exceptions are found, they should be taken out of use until the checks can be completed.	stations can access the equipment and update after there testing has been carried out.		
KFC (14/15) 3.2	**Baker Tilly** May 15: Final Report (14/15)	Key Financial Controls Head of Finance & Asset Management & Treasurer to FRA	Medium	A single, centrally-managed Asset Register should be established, which would inform the Asset Working Papers at year-end; and a programme of physical verification of assets should be performed annually per Financial Regulations.	It is planned in the Capital Programme to purchase a software package to centrally manage assets. The current priority is to address the management of the operational equipment and the wider managements of assets will be incorporated into this piece of work too. The Head of Finance and Asset Management has discussed this with RSM (previously Baker Tilly) and this recommendation will be superseded. It has been established, following an internal audit recommendation covering operational equipment, that the management of the operational equipment assets is the priority. Work has progressed on this with the improvement of management spreadsheets and systems. Work has also progressed in	**Original** Mar 16	Superseeded – Refer to 'Progress Report to Date' Commentary

URN	Auditing Body & Source	Audit Area and Responsible Manager	Priority	Agreed Action	Progress Report to Date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
					reviewing what systems are available specifically for this and site visits to other services have taken place. With this emphasis, this has taken away the perceived urgency for an overarching asset register/system. The Authority's external auditor has not raised any issue with the financial information on assets collated and held for the production of the year end accounts. The physical verification of assets will be taken into account at the 2015/16 year end stage. However, as above, the focus is on operational equipment, while also taking into account wider service requirements. The working group meetings on this will include Procurement, Finance, Stores and of course the Technical Team too. Depending on the progress on the working group looking into this, an extension may be required as it is unlikely to be in place by 31st March 2015. As noted above though, this recommendation has been superseded. This will be revisited with the Internal Auditors in the February Key Financial Controls audit.		

Monitoring Report of Actions Arising from Audit Reports **APPENDIX A**
(incorporating any actions outstanding at 31 March 2015 from earlier reports)

URN	Auditing Body & Source	Audit Area and Responsible Manager	Priority	Agreed Action	Progress Report to Date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
PAR (13/14) 6	**Baker Tilly** Mar 14: Final Report (13/14) **Follow up** Jun15: Final Report (14/15)	Partnerships Head of Strategic Support	Medium	An annual overarching review of partnerships should be performed by the Service and presented to the authority to determine the success of partnerships. The success should include a link to costs and benefits realisation. This review process should also include a gap analysis to determine whether there are any potential emerging partnerships the Service should explore.	An annual review of partnerships was undertaken and presented to the Fire and Rescue Authority at their meeting on 15 July 2015.	**Original** May 15 **Agreed Revised Date** Jul 2015	Completed – To be confirmed by follow- up audit
KFC (14/15) 1.2	**Baker Tilly** May 15: Final Report (14/15)	Key Financial Controls Head of Finance & Asset Management & Treasurer to FRA	Medium	The Service should ensure that all amendments to supplier bank details are verified with a known contact using an existing or independently sourced telephone number.	It was acknowledged that the system has improved since last year; however taking into account this recent recommendation the forms have been amended to improve the controls further.	**Original** May 15	Completed – To be confirmed by follow- up audit
FC (14/15) 1.7a	**Baker Tilly** Nov 14: Final Report (14/15) **Follow up** Jun15: Final Report (14/15)	Fuel Cards Head of Operational Support	Medium	To improve control around the fuel reserve log, the Authority need to ensure that: • The spreadsheet is consistently used by each station to prevent illegible records; • The spreadsheet should be maintained via SharePoint, to allow document history to be monitored; • Periodic fuel check or meter readings should implemented on each fuel reserve, to reconcile to the total quantity of fuel held.	This is now business as usual and checks are carried out by Workshops on the spread sheet monthly, where any discrepancies are notified back to the relevant station commander for action. The spread sheet is on sharepoint and there is an audit trail of the monitoring of it. **This action is now completed, however at the time of the follow up audit in Feb 2015; this was not due for implementation at the time of the review.**	**Original** Mar 15	Completed – To be confirmed by follow up audit

URN	Auditing Body & Source	Audit Area and Responsible Manager	Priority	Agreed Action	Progress Report to Date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
				Records should be updated to demonstrate this has been completed; any discrepancies should be investigated and escalated appropriately.			
FC (14/15) 1.2a	**Baker Tilly** Nov 14: Final Report (14/15) **Follow up** Jun 15: Final Report (14/15)	Fuel Cards Head of Operational Support	Medium	Following the submission of the annual statement from Allstar, the Authority should perform a formal reconciliation exercise to validate that the details on the annual statement agrees to Authority records, especially around those cards that should be cancelled.	At the end of each financial year Transport will undertake formal reconciliation exercise to validate the details on the Allstar annual statement around the cards that should be cancelled against the Authority records. A process has been put in place within workshops that ensures that obsolete cards are disposed of, and cards relating to specific vehicles are cancelled when the vehicle is disposed of. A monthly check on fuel card returns is carried out to validate the use of the card to the correct vehicle/equipment and the correct fuel is being purchased. This ensures that premium fuel (and the associated extra cost) is not purchased. To ensure this process is carried out, emails, briefings and blue bulletin articles were published to all staff. The first annual reconciliation for the fuel statement will take place at year end (April 2015). A monthly reconciliation is completed to ensure the fuel receipts tally with the monthly Allstar statement - this will	**Original** Mar 15	Completed – To be confirmed by follow up audit

Monitoring Report of Actions Arising from Audit Reports **APPENDIX A**
(incorporating any actions outstanding at 31 March 2015 from earlier reports)

URN	Auditing Body & Source	Audit Area and Responsible Manager	Priority	Agreed Action	Progress Report to Date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
					be checked at year end to ensure all 12 months are accounted for. **This action is now completed, however at the time of the follow up audit in Feb 2015; this was not due for implementation at the time of the review.**		
FC (14/15) 1.2b	**Baker Tilly** Nov 14: Final Report (14/15) **Follow up** Jun 15: Final Report (14/15)	Fuel Cards Head of Operational Support	Medium	When an Authority vehicle is disposed, or when a member of staff assigned a fuel card leaves the Authority, the Authority need to ensure that Fuel Cards are cancelled and disposed of in a timely manner. Additionally, cards that have expired or been cancelled should be destroyed in a timely manner.	Transport of 1.2a audit outcome will ensure the fuel cards are cancelled and disposed of in a timely manner. A process has been put in place within workshops that ensures that obsolete cards are disposed of, and cards relating to specific vehicles are cancelled when the vehicle is disposed of. **This action is now completed, however at the time of the follow up audit in Feb 2015; this was not due for implementation at the time of the review.**	**Original** Mar 14	Completed – To be confirmed by follow up audit
PROC (15/16) 1b	**RSM** Nov 15: Final Report (15/16)	Procurement Head of Finance & Asset Management & Treasurer to FRA	Low	**New** The Authority will formalise the process by which amendments to approval limits within the Great Plains system are undertaken and this will subsequently be incorporated into the appropriate Finance policy.	The Chief Accountant has introduced a process to capture and authorise these changes	**Original** Nov-15	Completed – No follow up audit required

Monitoring Report of Actions Arising from Audit Reports **APPENDIX A**
(incorporating any actions outstanding at 31 March 2015 from earlier reports)

URN	Auditing Body & Source	Audit Area and Responsible Manager	Priority	Agreed Action	Progress Report to Date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
PROC (15/16) 2a	**RSM** Nov 15: Final Report (15/16)	Procurement Head of Finance & Asset Management & Treasurer to FRA	Low	**New** The Authority will ensure that all contracts with rolling four year expenditure below £2k will have some narrative recorded within the Bluelight system to explain the chosen procurement route and to demonstrate how Best Value has been achieved.	The Procurement Manager has set up a system, whereby he/she will carry out spot checks on a quarterly basis and maintain a log of those reviewed.	**Original** Nov-15	Completed – No follow up audit required

Monitoring Report of Actions Arising from 2014/15 Annual Governance Statement (incorporating any actions outstanding from the 2013/14 Annual Governance Statement)

No	Issue	Source	Planned Action	Progress to date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
1	Medium Term Budget/CRMP	Assurance Statements	Following the general election in May 2015, it is hoped that a multi-year settlement will be provided during 2015/16 for 2016/17 onwards. This will assist in the setting of medium term savings and efficiencies based on the revised forecast budget gap.	The draft budget was presented to the FRA in December 2015 for consultation. Post consultation, with 89% support for a 1.99% council tax increase, the budget report has been prepared for the FRA meeting of 11th February. This is based on the provisional Government settlement figures, as we are yet to receive the final ones (as at 5th Feb 2016).	2016/17 Budget and Medium Term Plan set in February 2016	In progress

Monitoring Report of Actions Arising from 2014/15 Annual Governance Statement (incorporating any actions outstanding from the 2013/14 Annual Governance Statement)

No	Issue	Source	Planned Action	Progress to date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
2	Review of Authority Effectiveness	All actions from the 2014/15 Review of Authority Effectiveness Action Plan to be completed during 2015/16 and formally reviewed by Members as part of the following year's process	All actions from the 2014/15 Review of Authority Effectiveness Action Plan to be completed during 2015/16 and formally reviewed by Members as part of the following year's process.	A Form of Review of the FRA's Effectiveness Questionnaire was agreed and completed by Members at a facilitated meeting on 28 January 2015. On 12 March 2015, the Audit and Standards Committee considered the outcome of the Review, including any identified areas for improvement, and agreed performance objectives for the coming year. The 2014/15 Review of the FRA's Effectiveness and Action Plan for 2015/16 was agreed by the FRA on 31 March 2015 for inclusion in the FRA's Annual Governance Statement, which was agreed to be part of the 2014/15 Statement of Accounts. A Paper, including recommendations, for the 2015/16 Review of Effectiveness, was submitted to the Audit and Standards Committee on 24 September 2015. At the meeting it was agreed a Form of Review Questionnaire be completed by Members for discussion at a facilitated annual review meeting of the Fire Authority 27 January 2016. Following this meeting a report is to be presented to the Auidt and Standards Committee on 17 March to consider and recommend an action plan to the FRA on 19 April 2016 for 2016/17	**Original** Mar 16	In progress

Monitoring Report of Actions Arising from 2014/15 Annual Governance Statement (incorporating any actions outstanding from the 2013/14 Annual Governance Statement)

No	Issue	Source	Planned Action	Progress to date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
3	Information Security	2012/13 & 2013/14 AGS & Assurance Statements	This is a Corporate Project to ensure that the Authority's information is secure and the policy is in line with ISO Standard 27001	The Authority's Information Security project has now been fully implemented across the Service and policy arrangements align with ISO 27001. The project introduced a bespoke software solution bringing together Information Security, Business Continuity including Protective Security and Risk Management. This holistic and joined up approach provided for an integrated solution in managing critical information and information assets in a structured framework which are supported by new policies and procedures. The Information Security Project will be signed off by the next Programme Board scheduled for 11th March 2016.	**Original** Mar 15 **Agreed Revised Date(s)** 30 Nov 15	Completed

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item No. 9

REPORT AUTHOR: **HEAD OF FINANCE/TREASURER**

SUBJECT: **REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING 2015/16 AS AT 31 JANUARY 2016**

PURPOSE:

To inform the Corporate Services Policy and Challenge Group of the forecast year end budget monitoring position as at 31 January 2016.

RECOMMENDATIONS:
That the Corporate Services Policy and Challenge Group:

1. Consider the forecast outturn.
2. Consider the allocation of the year end forecast underspend to a joint working/collaboration earmarked reserve. If agreed, to recommend this to the Fire and Rescue Authority.

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1. Introduction

1.1 On 19 February 2015, the Fire and Rescue Authority (FRA) approved a Revenue Budget Requirement for 2014/15 of £28.862m and a Capital Programme of £1.518m.

2. Revenue Budget Monitoring

2.1 A full subjective analysis of the Revenue Budget can be found on page 15 of the 2015/16 Budget Book.

2.2 The funding of the 2015/16 Revenue Budget is by way of Government Funding £8.971m, local Business Rates redistribution £2.118m and Council Tax of £17.264m. There is also funding from a Collection Fund surplus of £0.509m.

2.3 **Forecasting Outturn:**

2.3.1 Table 1 below is achieved by using the spread sheet returns that Corporate Management Team (CMT) members submit to the Finance Team and also through the meetings that Finance Officers have with CMT members. The forecast outturn positions are as accurate as the information received from each CMT member.

2.3.2 Table 1 below details the current budget excluding salary budgets, for each CMT service area. The forecast year end outturn is shown in column five, with the variance and RAG (red, amber, green) status shown in columns six and seven.

Table 1: 2015/16 Revenue Budget Forecast Outturn (excluding salary budgets)

Title	Actual 2014/15 £'000	Current Budget £'000	YTD Actuals £'000	Forecast Year End Outturn £'000	Variance £'000	RAG status (see note below**)
Strategic Management	53	102	(4)	102	0	Green
Head of Operations	915	805	641	773	(32)	Green
Head of Operational Support	669	836	464	920	84	Green
Head of Community Safety	217	216	160	222	6	Green
Human Resources Manager	205	314	113	318	4	Green
Head of Strategic Support	1,146	1,399	1,031	1,448	49	Green
Head of Safety and Special Projects	7	7	7	7	0	Green
Head of Training and Development	402	598	284	598	0	Green
Head of Finance and Treasurer	4,109	4,531	1,610	4,586	55	Green
Total	**7,723**	**8,808**	**4,306**	**8,974**	**166**	

**RAG Status: Red would identify where there is a large overspend equal to or greater than £100,000 and/or a key service aspect was not being delivered. Amber would identify where there is a possibility of an overspend and/or a key service aspect may not be delivered. It may be that there are action plans in place to address an issue, where until they are successful it is flagged as Amber. Green identifies where service delivery is being performed and as above, where there are underspends. Underspends are not necessarily always green, if for example, there was a key service aspect not being delivered causing the underspend, it would be shown as Red.

2.3.3 The main areas of over/underspends identified in Table 1 are noted below:

There is a forecast underspend (£32,000) within the Head of Operations as a result of the cost of the worldwide fall in the price Derv and other fuels.

The forecast overspend within the Head of Operational Support is as a result of the known additional costs associated with the Replacement Mobilising System (RMS) project which are offset by the reduction in revenue spend of (£19,000) on the leases of three fire appliances that came to an end in November 2015.

The forecast overspend against budget within the Head of Strategic Support area of £49,000 is as a result of printing charges/changing print providers and costs associated with IT software and support.

The New Dimensions Grant that is received from the DCLG under the budget of the Head of Training and Development will be £20,000 lower than in previous years. The DCLG has revised their figures. It is anticipated that this reduction in grant will be managed within existing budgets. This has been updated in the 2016/17 budget setting process.

The forecast overspend under the Head of Finance/Treasurer is as a result of lower than expected housing rent returns due to vacant properties and an increase in service agreement expenditure by the Property Section. This has been offset by the Section 31 Grant that reimburses authorities from the impact of changes incurred under the business rate retention schemes. This grant payment concerns the business rates changes announced in the 2012, 2013 and 2014 Autumn Statements.

2.3.4 With the salary budgets being such a large proportion of the overall budget, the split from the budgets above is justified.

Table 2: 2015/16 Salary Budget Forecast Outturn

Title	Actual 2014/15 £'000	Current Budget £'000	YTD Actuals £'000	Forecast Year End Outturn £'000	Variance £'000
Whole-time	13,090	12,911	9,467	12,608	(303)
Control	1,005	896	692	917	21
Retained	1,759	2,012	1,278	1,766	(246)
Non Uniform/Agency	4,752	4,904	3,571	4,808	(96)
Total	**20,606**	**20,723**	**15,008**	**20,099**	**(624)**

2.3.5 The main areas of over/underspends as identified in Table 2 above are as follows:

The Firefighters pay award was budgeted at 2%. The agreed pay award was ultimately 1%, therefore the above underspend includes (£120,000) apportioned across Wholetime, Control and Retained is as a result of this lower than budgeted pay award. This will have a positive knock on impact in the Medium Term Revenue Programme (MTRP) too that has been factored into the 2016/17 budget. There have also been more leavers than anticipated, due to a competitive employment market for the skills that Firefighters have. These vacancies, including planned and unplanned early retirements, have further increased this underspend. The salary expenditure forecasts for both Wholetime and Retained Firefighters have also reduced following the announcement that there will be no further strike action until 2017.

A Wholetime Firefighters recruitment process is currently in progress. As detailed in the savings and efficiencies plan, £263,000 will be removed from the wholetime salary budget in 2016/17 and £157,000 in 2017/18.

The Retained Budget has a forecast year end under spend of (£246,000). The review of this area is currently part of a project that links into the Capital Programme scheme on RDS shown below in Table 3. As detailed in the savings and efficiencies plan, £127,000 will be removed from the retained salary budget in 2016/17 as part of the savings/efficiencies associated with the project work. This project is funded by the DCLG Transformation Capital funding following the successful bid in 2015.

The underspend reported in Non-Uniform/Agency is as a result of vacancies within HSS (£66,000), the Training Centre (£29,000) and part year vacancy within Strategic Policy (£10,000) and other minor variances.

2.4.1 **Total Forecast Outturn, Salary and Non Salary:**

2.4.2 The total forecast underspend including both the non-salary figure in Table 1 above and pay and on costs, including agency staff shown in Table 2, is an underspend of (£458,000).

Earmarked Reserve for Joint Working/Collaboration

2.4.3 It was suggested in the 2016/17 FRA Budget Report, that the 2015/16 forecast year end underspend could be allocated to a joint working/collaboration earmarked reserve. With the potential work in this area with partners, which could lead to both revenue and capital expenditure, it is considered that this would be valid earmarked reserve. This could be un-earmarked at any stage, should these developing partner relationships not require pump priming funding.

3. <u>Capital Programme Monitoring</u>

3.1 Table 3 below is a summary of the Authority's 2015/16 Capital Programme. The Red, Amber, Green (RAG) status indicates how well the schemes are progressing (Green being on target for year-end completion within budget; Amber indicating possible slippage or overspend; and Red indicating actual slippage/overspend or deletion of the scheme).

Table 3: The 2015/16 Capital Programme

Scheme	Revised Budget 2015/16	Forecast Outturn	Variance	Slippage	RAG status
	£'000	**£'000**	**£'000**	**£'000**	
IT Virtual Desktop Infrastructure (VDI)	175	175	0	0	Green – roll out commenced
Replacement Telephony System (continued from 2014/15)	127	127	0	0	Green – pilot to commence in 15/16, scheme into 16/17 too
Capital Works - Service Wide	80	80	0	0	Green – rolling programme
Breathing Apparatus Calibrator	11	11	0	0	Green
Replace Defibrillators	10	10	0	0	Green

Scheme	Revised Budget 2015/16	Forecast Outturn	Variance	Slippage	RAG status
Thermal Imaging cameras	55	0	0	55	Red/ slippage
Replace Decontamination Shelter	9	9	0	0	Green
HR Project	207	207	0	0	Green – planned into 2016/17 too
Fitness Equipment Expenditure	8	8	0	0	Green
Retained Duty System (RDS) pagers	180	180	0	0	Green – 2015/16 & 2016/17 project
Vehicles	911	911	0	0	Green – into 2016/17 too
Generators/UPS	40	40	0	0	Green
Total	**1,606**	**1,551**	**0**	**55**	

3.2 It should be noted that the Vehicles, HR Project and Capital works Programmes need to be treated with fluidity as the costs and expected build dates can vary considerably and span across financial years. However, in accordance with the financial regulations, any significant changes of expenditure over 10% of an approved capital scheme need to be reported back to the FRA.

3.3 **Capital Programme – Withdrawals:**

3.3.1 None to report this month.

3.4 **Capital Programme – Additions**

3.4.1 None to report this month

3.5 **Capital Programme – Variations:**

3.5.1 None to report this month.

3.6 **Slippages:**

3.6.1 The spend on Thermal Imaging Cameras has previously been reported, as it has slipped from 2015/16 into 2016/17 as a result of the service awaiting developments in technology. This should result in better equipment to be purchased in 2016/17.

GAVIN CHAMBERS
HEAD OF FINANCE/TREASURER

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item No. 10

REPORT AUTHOR:	**CHIEF FIRE OFFICER AND TREASURER**
SUBJECT:	**TREASURY MANAGEMENT STRATEGY AND PRACTICES**

For further information on this Report contact: G Chambers
Head of Finance/Treasurer
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Background Papers:

The Treasury Management Strategy and Treasury Management Policies for 2015/16 were scrutinised by the Corporate Services Policy and Challenge Group on 3 March 2015 and approved by the Fire and Rescue Authority on 31 March 2015

Implications (tick ✓):

LEGAL		FINANCIAL	✓
HUMAN RESOURCES		EQUALITY IMPACT	
ENVIRONMENTAL		POLICY	✓
ORGANISATIONAL RISK	✓	OTHER (please specify)	

Any implications affecting this report are noted at the end of the report.

PURPOSE

To review the Authority's Treasury Management Strategy Statement and Treasury Management Policies.

RECOMMENDATION

To consider the documents and recommend that the Fire and Rescue Authority adopt the updated:

i. Treasury Management Strategy Statement
ii. Minimum Revenue Provision Policy and Annual Investment Strategy
iii. Treasury Management Practices

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1. <u>Outcome</u>

1.1 Sound internal control and governance arrangements for Treasury Management will ensure the Authority can reduce the risk it faces from treasury management activities.

2. <u>Reason for Report</u>

2.1 Treasury management activities can be defined as follows:

'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.' Source the Chartered Institute of Public Finance and Accountancy (CIPFA).

2.2 The reporting of treasury management activity and the treasury management prudential indicators must meet the requirements of the 2009 and 2011 revised CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities (as required through Regulations issued under the Local Government Act 2003). The 2011 Code updates were very minor. In addition to the revised codes, the Government issued new investment guidance in March 2010 following consultation on changes to the capital finance system.

3. Updated Documentation

3.1 The Authority is required to consider and scrutinise the relevant treasury management documents. The revised documents that are attached are:

- The Treasury Management Strategy (including the Minimum Revenue Provision Policy and Annual Investment Strategy)
- Treasury Management Practices

The Corporate Services Policy and Challenge Group was nominated by the Fire and Rescue Authority on 10 December 2010 as the Group to scrutinise Treasury Management.

3.2 The updated Treasury Management Strategy Statement is attached at Appendix A. There are no material updates from the 2015 statement to comment on.

3.3 The Treasury Management Practices are in accordance with the requirements of the Code and Guidance. The updated Treasury Management Practices are attached to this report for Members scrutiny and consideration at Appendix B. These documents provide the cornerstones for effective treasury management and ensure the approved Treasury Management Strategy is adhered to.

The Treasury Management Practices set out the manner in which the Authority will seek to achieve those policies and objectives, and prescribe how it will manage and control those activities.

Again, there are no material updates to comment on for 2016.

4. Treasury Management and Support

4.1 The Treasurer recognises that treasury management is inevitably a highly technical and challenging area. To ensure that those Authority Members tasked with treasury management responsibility, including those responsible for scrutiny, have the support they need the following training was arranged:

- Training sessions were provided to Members in 2011 and 2013 by Capita Asset Services.
- The most recent training was again provided by Capita at the Members Development on 2nd July 2015.

5. Equality and Diversity Implications

5.1 There are no equality and diversity implications arising from this report.

6. Financial Implications and Value for Money

6.1 The Authority currently has:

- a total accumulative borrowing of £10.087m,
- has short-term investments of up to £10m,
- budgeted interest of £100k in 2016/17 from investments.

It is vital these transactions are managed efficiently and effectively.

7. Health and Safety and Environmental Implications

7.1 None arising from this report.

PAUL FULLER
CHIEF FIRE OFFICER

GAVIN CHAMBERS
TREASURER

APPENDIX A

Bedfordshire Fire and Rescue Service

Fire and Rescue Service

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2016/17

1. Introduction

1.1 Background

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

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

CIPFA defines treasury management as:

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

1.2 Statutory Requirements

The Local Government Act 2003 (the Act) and supporting regulations requires the Authority to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Authority to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); this sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2011.

1.3 CIPFA Requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2011) was adopted by this Authority on 1 April 2004.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
3. Receipt by the Fire and Rescue Authority (FRA) of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.
4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the FRA has delegated this to the Corporate Services Policy and Challenge Group.

1.4 Treasury Management Strategy for 2016/17

The suggested strategy for 2016/17 in respect of the following aspects of the treasury management function, is based upon the Treasury Officer's views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury adviser, Capita Asset Services and in liaison with the Head of Finance and Treasurer.

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Authority
- Prudential and Treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers
- the Minimum Revenue Position strategy

1.5 Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Authority to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from the following can be met:

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Authority for the foreseeable future.

2. <u>Treasury Limits for 2016/17 to 2019/20</u>

It is a statutory duty under Section 3 of the Act and supporting regulations, for the Authority to determine and keep under review how much it can afford to borrow. The amount so determined is termed the 'Affordable Borrowing Limit'. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Authority must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax level is 'acceptable'.

Whilst termed an 'Affordable Borrowing Limit', the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years; details of the Authorised Limit can be found in Appendix 3 of this report.

3. Current Portfolio Position

The Authority's treasury portfolio position at 31 December 2015 comprised:

		Principal £'000	Average Rate
Fixed rate borrowing	Public Works Loan Board (PWLB)	10,087	4.19%
Variable rate borrowing		-	
Other long-term liabilities		-	
Gross Debt		10,087	
Total Investments		8,800	
Net Debt		**1,287**	

4. Borrowing Requirement

The Authority's borrowing requirement is as follows**:**

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000 Probable	**£'000 Estimate**	**£'000 Estimate**	**£'000 Estimate**	**£'000 Estimate**
New borrowing	0	0	0	0	0
Alternative financing arrangements	1338	1274	1299	1347	1200
Replacement borrowing	0	0	0	0	0
Total CFR (Borrowing Requirement)	**1338**	**1274**	**1299**	**1347**	**1200**

5. Prudential and Treasury Indicators for 2016/17 – 2019/20

Prudential and Treasury Indicators (as set out in table in Appendix 3 to this report) are relevant for the purposes of setting an integrated treasury management strategy. These are regularly reported to the FRA in the Treasury Reports.

The Authority is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on 1 April 2004, and the revisions for the 2009 Code were adopted in April 2011. The revised 2011 Code was adopted by the FRA in February 2012 by approving this and accompanying reports.

6. Prospects for Interest Rates

The Authority has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. The following table gives our central view.

Capita Asset Services Interest Rate View													
	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
5yr PWLB Rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
25yr PWLB Rate	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
50yr PWLB Rate	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%

UK. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2.2%. Quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a slight increase in quarter 2 to +0.5% (+2.3% y/y) before weakening again to +0.4% (2.1% y/y) in quarter 3 followed by a slight recovery in quarter 4 to an initial reading of +0.5%. The Februaryr Bank of England Inflation Report included a forecast for growth to remain around 2.2% – 2.4% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. However, these forecasts are approximately 0.2% lower than those of the November Inflation Report. Investment expenditure is also expected to support growth. However, since the second half of 2015, most worldwide economic statistics have been weak and financial markets have been particularly volatile in early 2016. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK and this theme was maintained in the February Inflation Report.

The February Inflation Report was notably subdued in respect of the forecasts for inflation in the near-term; this was expected to barely get back up to the 1% level within the next 12 months but was expected to marginally exceed the 2% target on the 2-3 year time horizon. The increase in the November Inflation Report forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel and commodity prices will delay a significant tick up in inflation from around zero. There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There is also the uncertain impact of the EU referendum which may take place as early as June 2016.

The weakening of UK GDP growth during 2015 and the deterioration of prospects in the international scene, especially for emerging market countries, have consequently led to forecasts for when the first increase in Bank Rate would occur being pushed back to quarter 1 of 2017. There is downside risk to this forecast i.e. it could be pushed further back and the markets are currently betting on a quarter 1 2018 increase.

USA. The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.0% in quarter 3 and retreated to +0.7% in quarter 4. However, the uninterrupted run of strong monthly increases in non-farm payrolls figures for growth in employment in 2015 prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it was intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost their majority of seats. An anti-austerity coalition has won a majority of seats in Portugal while the general election in Spain produced a complex result where no combination of two main parties is able to form a coalition with a majority of seats. It is currently unresolved as to what administrations will result from both these situations. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

- Investment returns are likely to remain relatively low during 2016/17 and beyond;
- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenominally low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

7. <u>Borrowing Strategy</u>

7.1 Borrowing Rates

The Capita Asset forecast for the PWLB new borrowing rate is as follows:

	Mar-16	Jun-16	Sept-16	Dec-16	Mar-17	Mar-18	Mar-19
Bank rate	0.50%	0.50%	0.50%	0.50%	0.75%	1.25%	1.75%
5yr PWLB rate	1.70%	1.90%	2.30%	2.00%	2.20%	2.70%	3.10%
10yr PWLB rate	2.30%	2.40%	3.00%	2.50%	2.70%	3.10%	3.60%
25yr PWLB rate	3.20%	3.20%	3.70%	3.30%	3.50%	3.70%	3.80%
50yr PWLB rate	3.00%	3.00%	3.70%	3.10%	3.30%	3.50%	3.70%

A more detailed Capita Asset forecast is included in Appendix 2.

The Authority is currently maintaining an over-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has been exceeded by loan debt and leasing liabilities. The strategy for the CFR and the under/over borrowed position going forward will be discussed at the next meeting with our Treasury advisors.

Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Head of Finance and Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Sensitivity of the forecast – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Authority officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- *If it were felt that there was a significant risk of a sharp FALL in long and short term rates,* eg due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *If it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

7.2 **External v Internal Borrowing**

The table below shows the PWLB debt of £10,087,000. This is made of up three loans. Two were taken out in 2006 and 2008 to fund the Capital programme for those years. These are both fixed rate loans over a period of 50 years. The third loan was taken out during 2012 to fund a Capital purchase during that year. This third loan is a fixed rate loan over 4 years and 6 months.

Cash balances are made up of cash in the bank and Investments. We currently have five investments totalling a value of £6,300,000 however by 31 March 2016, one investment will have matured but will be re-invested.

Current Portfolio Position

- This Authority's treasury portfolio as at 31 March 2015, with forward projections are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

£m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
External Debt						
Debt at 1 April	10,087	10,087	9,987	9,987	9,987	9,987
Expected change in Debt						
Other long-term liabilities (OLTL)	298	209	132	70	6	0
Expected change in OLTL	0	0	0	0	0	0
Actual debt at 31 March	**10,385**	**10,296**	**10,119**	**10,057**	**9,993**	**9,987**
The Capital Financing Requirement	**10,393**	**9,931**	**8,875**	**8,380**	**7,887**	**7,458**
Under / (over) borrowing	**8**	**(365)**	**(1,244)**	**(1,677)**	**(2,106)**	**(2,529)**
Total investments at 31 March						
Investments	**10,000**	**11,000**	**10,000**	**10,000**	**9,000**	**8,000**
Investment change	0	1,000	0	0	0	0
Net Debt	**385**		**119**	**57**	**993**	**1,987**

Within the prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well defined limits. One of these is that the Authority needs to ensure that its total borrowing (net of any investments) does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years' This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Head of Finance and Treasurer reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future years. This view takes into account current commitments, existing plans, and the proposals in this budget report. The above position will be closely monitored and has been discussed with our Treasury Advisors.

Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary: This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Operational boundary £m	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	10,087	10,087	9,987	9,987
Other long term liabilities	209	132	70	6
Overdraft	0	0	0	0
Total	10,296	10,119	10,057	9,993

The Authorised Limit for external borrowing. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Local Authorities plans, or those of a specific Authority, although this power has not yet been exercised.
2. The FRA is asked to approve the following Authorised Limit:

Authorised limit £m	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	10,087	10,087	9,987	9,987
Other long term liabilities	209	132	70	6
Overdraft	0	0	0	0
Worst Case Scenario Payroll	1,900	1,900	1,900	1,900
Total	12,196	12,019	11,957	11,893

7.3 Policy on Borrowing in Advance of Need

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Authority will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need;

- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

8. **Debt Rescheduling**

The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which has now been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that PWLB to PWLB debt restructuring is now much less attractive than it was before both of these events. In particular, consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds, if using replacement PWLB refinancing. However, some interest savings might still be achievable through using LOBO (Lenders Option Borrowers Option) loans, and other market loans, in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the Authority's maturity profile as in recent years there has been a skew towards longer dated PWLB loans.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the strategy outlined in paragraph 7 above;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the FRA at the earliest meeting following its action.

9. Annual Investment Strategy

9.1 Investment Policy

The Authority will have regard to the CLG's Guidance on Local Government Investments ('the Guidance') and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ('the CIPFA TM Code'). The Authority's investment priorities are:

a. the security of capital, and
b. the liquidity of its investments.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Authority applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps' and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in Appendix 5 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Authority's Treasury Management Practices – Schedules.

Money Market Funds for short-term investments will be considered.

9.2 Creditworthiness Policy

This Authority applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS (Credit Default Swap) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will therefore use counterparties within the following durational bands:

- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour not to be used for Investments

Our creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Authority use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored six monthly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita Asset creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.

9.3 **Country Limits**

The Authority has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of *AA-* from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.

9.4 **Investment Strategy**

In-house funds:

Investments will be made for terms of up to 364 days. The Authority will consider its cash flow requirements, prevailing market conditions and advice from its Treasury Advisers when determining exact terms for each investment, in order to ensure that it is both favourable and prudent. At the time of writing, interest rates are at a low point but are expected to rise further over the next few years.

Investment returns expectations: Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 1 of 2017. Bank Rate forecasts for financial year ends (March) are:

- 2016/ 2017 0.75%
- 2017/ 2018 1.25%
- 2018/ 2019 1.75%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

2016/17	0.60%
2017/18	1.25%
2018/19	1.75%
2019/20	2.00%
2020/21	2.25%
2021/22	2.50%
2022/23	2.75%
2023/24	2.75%
Later years	3.00%

The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

Against this view the Treasury Officers expect the Authority to always seek to find the most favourable rates possible within the organisations on the Approved List.

9.5 **End of Year Investment Report**

At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

9.6 Policy on the Use of External Service Providers

The Authority uses Capita Asset as its external treasury management advisers.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

9.7 Scheme of Delegation

Please see Appendix 6.

9.8 Role of the Section 151 Officer

Please see Appendix 7.

Appendices

1. MRP Strategy
2. Interest Rate Forecasts
3. Prudential and Treasury Indicators
4. Economic Background
5. Specified and Non-Specified Investments
6. Treasury Management Scheme of Delegation
7. The Treasury Management Role of the Section 151 Officer

APPENDIX 1

MINIMUM REVENUE PROVISION POLICY STATEMENT 2016/17

The Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10 and will assess their MRP for 2016/17 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The major proportion of the MRP for 2016/17 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. Certain expenditure reflected within the debt liability at 31 March 2011 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method*).* For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Authority. However, the Authority reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Authority are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

APPENDIX 2

INTEREST RATE FORECASTS

1. Individual Forecasts

Capital Asset Services

Interest rate forecast – February 2016

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	10.75%	1.00%	1.00%
5yr PWLB rate	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.60%
10yr PWLB rate	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%
25yr PWLB rate	3.20%	3.20%	3.30%	3.30%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	3.00%	3.00%	3.10%	3.10%	3.30%	3.30%	3.40%	3.40%

Capital Economics

Interest rate forecast – February 2016

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%
5yr PWLB rate	2.10%	2.20%	2.50%	2.55%	2.80%	2.80%	3.05%	3.05%
10yr PWLB rate	2.85%	2.85%	3.10%	3.10%	3.30%	3.30%	3.45%	3.45%
25yr PWLB rate	2.85%	2.85%	3.10%	3.10%	3.30%	3.30%	3.45%	3.45%
50yr PWLB rate	2.90%	2.90%	3.15%	3.15%	3.35%	3.35%	3.50%	3.50%

APPENDIX 3

PRUDENTIAL AND TREASURY INDICATORS

Prudential & Treasury Indicators	2015/16	2016/17	2017/18	2018/19
Affordability Indicators				
Ratio of financing costs to net revenue stream	2.68%	2.64%	2.62%	2.57%
Estimated incremental impact of capital investment decisions on Band D Council Tax	£0.00	£0.00	£0.00	£0.00
Capital Expenditure Indicators	**£000**	**£000**	**£000**	**£000**
Capital Financing Requirement	9,864	8,875	8,380	7,887
External Debt Indicators				
Authorised Limit for External Debt				
Borrowing	12,000	12,000	12,000	12,000
Other long-term liabilities	200	100	100	0
Total	12,200	12,100	12,100	12,000
Operational Boundary for External Debt				
Borrowing	10,100	9,987	9,987	9,987
Other long-term liabilities	200	100	100	0
Total	10,300	10,087	10,087	9,987
Treasury Management Indicators				
Upper limit for fixed interest rate exposure	292	293	290	290
Upper limit for variable interest rate exposure	97	97	97	97
Upper limit for total principal sums invested for over 364 days (per maturity date)	0	0	0	0
Maturity structure of fixed rate borrowing during 2014/15:	**Upper Limit**		**Lower Limit**	
Under 12 months	1%		1%	
12 months and within 24 months	0%		0%	
24 months and within 5 years	0%		0%	
5 years and within 10 years	0%		0%	
10 years and above	99%		99%	

ECONOMIC BACKGROUND

UK. UK GDP growth rates of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2.2%. Quarter 1 2015 was weak at +0.4% (+2.9% y/y), although there was a slight increase in quarter 2 to +0.5% before weakening again to +0.4% (+2.1% y/y) in quarter 3 and then picking up to +0.5% (2.2%) in quarter 4.

The Bank of England's February Inflation Report included a forecast for growth to remain around 2.2% – 2.4% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.1%.

Since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK. Bank of England Governor Mark Carney has set three criteria that need to be met before he would consider making a start on increasing Bank Rate. These criteria are patently not being met at the current time, (as he confirmed in a speech on 19 January):

- *Quarter-on-quarter GDP growth is above 0.6% i.e. using up spare capacity. This condition was met in Q2 2015, but Q3 came up short and Q4 looks likely to also fall short.*
- *Core inflation (stripping out most of the effect of decreases in oil prices), registers a concerted increase towards the MPC's 2% target. This measure was on a steadily decreasing trend since mid-2014 until November 2015 @ 1.2%. December 2015 saw a slight increase to 1.4%.*
- *Unit wage costs are on a significant increasing trend. This would imply that spare capacity for increases in employment and productivity gains are being exhausted, and that further economic growth will fuel inflationary pressures.*

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. However, it is unlikely that the MPC would start raising rates until wage inflation was expected to consistently stay over 3%, as a labour productivity growth rate of around 2% would mean that net labour unit costs would still only be rising by about 1% y/y. The November 2015 Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. However, the first round of falls in oil, gas and food prices in late

2014 and in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but only to be followed by a second, subsequent round of falls in fuel and commodity prices which will delay a significant tick up in inflation from around zero. According to the February 2016 Inflation Report, CPI inflation is now expected to get back to around 1% by the end of 2016 but not get near to 2% until the latter part of 2017.

However, with the price of oil having fallen further in January 2016, and with sanctions having been lifted on Iran, enabling it to sell oil freely into international markets, there could well be some further falls still to come in 2016. The price of other commodities exported by emerging countries could also have downside risk and several have seen their currencies already fall by 20-30%, (or more), over the last year. These developments have led to the Bank of England lowering the pace of increases in inflation in its February 2016 Inflation Report. On the other hand, the start of the national living wage in April 2016 (and further staged increases until 2020), will raise wage inflation; however, it could also result in a decrease in employment so the overall inflationary impact may be muted. For now, the Bank of England is forecasting further falls in unemployment to circa 4.8%.

Confidence is another big issue to factor into forecasting. Recent volatility in financial markets could dampen investment decision making as corporates take a more cautious view of prospects in the coming years due to international risks. This could also impact in a slowdown in increases in employment. However, consumers will be enjoying the increase in disposable incomes as a result of falling prices of fuel, food and other imports from emerging countries, so this could well feed through into an increase in consumer expenditure and demand in the UK economy, (a silver lining!). Another silver lining is that the UK may not be affected as much as some other western countries by a slowdown in demand from emerging countries, as the EU and US are our major trading partners.

There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, accordingly, arguments that rates ought to rise sooner and quicker, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would aggressively raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively over the last year from Q4 2015 to Q1 2017. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008. There has also been an increase in momentum towards holding a referendum on membership of the EU in 2016, perhaps as early as June, rather than in 2017; this could impact on MPC considerations to hold off from a first increase until the uncertainty caused by it has passed.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

USA. GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded remarkably strongly in Q2 to 3.9% (annualised) before falling back to +2.0% in Q3 and then retreating to +0.7% in Q4.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. would start to increase rates in September. The Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong while November was also reasonably strong (and December was outstanding); this, therefore, opened up the way for the Fed. to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. The initial reading for Q4 is 0.3% also. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost their majority of seats. A left wing / communist anti-austerity coalition has won a majority of seats in Portugal. The general election in Spain produced a complex result where no combination of two main parties is able to form a coalition with a majority of seats. It is currently unresolved as to what administrations will result from both these situations. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

China and Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of 1.1% during Q1, but then came back to +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession; this would have been the fourth recession in five years. Japan has been hit hard by the downturn in China during 2015 and there are continuing concerns as to how effective efforts by the Abe government to stimulate growth, and increase the rate of inflation from near zero, are likely to prove when it has already fired the first two of its 'arrows' of reform but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 and the start of 2016 in implementing several stimulus measures to try to ensure the economy hits the growth target of about 7% for 2015. It has also sought to bring some stability after the major fall in the onshore Chinese stock market during the summer and then a second bout in January 2016. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, there are growing concerns about whether the Chinese economy could be heading for a hard landing and weak progress in rebalancing the economy from an over dependency on manufacturing and investment to consumer demand led services. There are also concerns over the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September and again in January 2016, which could lead to a flight to quality to bond markets. In addition, the international value of the Chinese currency has been on a steady trend of weakening and this will put further downward pressure on the currencies of emerging countries dependent for earnings on exports of their commodities.

Emerging countries. There are also considerable concerns about the vulnerability of some emerging countries, and their corporates, which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis, (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries), there is now a strong flow back to those western economies with strong growth and a path of rising interest rates and bond yields.

The currencies of emerging countries have therefore been depressed by both this change in investors' strategy, and the consequent massive reverse cash flow, and also by the expectations of a series of central interest rate increases in the US which has caused the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed by a simultaneous downturn in demand for their exports and a deterioration in the value of their currencies. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Capita Asset Services undertook its last review of interest rate forecasts on 12 February 2016. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 1 of 2017.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. At some future point in time, an increase in investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently to the downside, given the number of potential headwinds that could be growing on both the international and UK scene. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in February 2016, (based on short sterling), for the first Bank Rate increase are currently around quarter 1 2018.

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

- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a flight to safe havens
- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

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

- Uncertainty around the risk of a UK exit from the EU.The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

SPECIFIED AND NON-SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

These are sterling investments that do not exceed 364 days and are with:

- an organisation that has a high credit rating;
- other local authority or,
- Central Government.

Strategy for specified Investments:

The Authority expects to have a net surplus of funds throughout 2015/16 and will invest those funds through the money market with those organisations included on its approved lending list (attached as Annex A).

The Authority's approved lending list includes the following organisations which are thus deemed to have a high credit rating:

- UK and Foreign Banks with a short-term rating of F1 or F1+ and a long-term rating of A- or higher.
- UK Building Societies with a short-term rating of F1 or F1+ and a long-term rating of A- or higher.

Ratings are those given by Fitch, the credit rating agency. In compiling the lending list, other factors such as legal rating and individual rating, which Fitch also provide, have been taken into consideration. The lending list is regularly reviewed to ensure that the organisations included maintain their credit ratings at the required level.

Investments will be made for terms of up to 364 days. The Authority will consider its cash flow requirements, prevailing market conditions and advice from its Treasury Advisers when determining exact terms for each investment, in order to ensure that it is both favourable and prudent. At the time of writing, interest rates are at a low point.

Non-Specified Investments:

These are any other investments that do not meet the criteria above for Specified Investments.

The Authority has no investments other than the short-term investment of surplus cash through the money market. Under previous regulations the investment of surplus cash was restricted to periods not exceeding 364 days. Under the new regulations that restriction is removed, however investments that do exceed 364 days are classified as non-specified investments because of the greater degree of risk they carry.

The Authority's cash flow profile makes it unlikely that investments in excess of 364 days would be considered and consequently no non-specified investments are anticipated.

SPECIFIED INVESTMENTS: (All such investments will be sterling denominated, with **maturities up to maximum of 1 year,** meeting the minimum 'high' rating criteria where applicable)

	Minimum 'High' Credit Criteria	**Use**
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Green	In-house

Approved countries for investments

Based on lowest available rating

AAA

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

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % Limit	Max Maturity Period
UK banks	Orange	In-house	25%	**1 year**
UK banks and Building Societies	Red	In-house	25%	**6 months**
UK banks and Building Societies	Green	In-house	25%	**100 days**
UK banks and Building Societies	No Colour	In-house	Not to be used	
UK part nationalised banks	Blue	In-house	90%	**1 year**
DMADF	AAA	In-house	Unlimited	**6 months**
Local Authorities	n/a	In-house	25%	**5 years**
Money Market Funds	MMF rating	In-house and Fund Managers		**1 year**
Enhanced Money Market Funds with a credit score of 1.25	MMF / bond fund rating	In-house and Fund Managers		**1 year**
Enhanced Money Market Funds with a credit score of 1.5	MMF / bond fund rating	In-house and Fund Managers		**1 year**

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority. To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

APPENDIX 6

TREASURY MANAGEMENT SCHEME OF DELEGATION

i. **FRA**

- receiving and reviewing reports on treasury management policies, practices and activities (via the Corporate Services Policy and Challenge Group);
- approval of annual strategy;
- budget consideration and approval;

ii. **Corporate Services Policy and Challenge Group**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.;
- the review and challenge function of Treasury Management as delegated by the FRA.

iii. **Head of Finance and Treasurer**

- reviewing the treasury management strategy, policy and procedures and making recommendations to the responsible body.

APPENDIX 7

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (Responsible) Officer:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

APPENDIX B

Bedfordshire and Fire and Rescue Service

Fire and Rescue Service

TREASURY MANAGEMENT PRACTICES

2016/17

TREASURY MANAGEMENT PRACTICES

The Treasury Management Practices (TMPs) set out the manner in which this Authority will seek to achieve its treasury management policies and objectives and how it will arrange and control these activities.

The following Treasury Management Practices are in accordance with the requirements of the CIPFA Code on Treasury Management in the Public Services:

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TMP1 RISK MANAGEMENT

The Head of Finance and Treasurer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6, Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set below.

1. Credit and Counterparty Risk Management

This Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques as listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1. Policy on the Use of Credit Risk Analysis Techniques

1. The Authority will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard and Poors.
3. Treasury management consultants will provide regular updates of changes to all ratings relevant to the Authority.
4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

Minimum Ratings 1	**Fitch**	**Moodys**	**Standard & Poors**
Short-term	**F1+**	**P1**	**A1+**
Long-term	AA-	Aa3	AA-
Individual*	C	C	n/a
Support	3	n/a	n/a

* Moodys Financial Strength Rating

Maturity limits will vary from three to twelve months. The maximum limit being twelve months and guidance will be taken from Capita Asset Services creditworthiness service based on using colour, as shown below:

- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour Not to be used for Investments

5. Credit ratings for individual counterparties can change at any time. The Head of Finance and Treasurer is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury Management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

6. This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including:

   - The quality financial press
   - Market data
   - Information on government support for banks and
   - The credit ratings of Banks/Building Societies that government support

7. Maximum maturity periods and amounts to be placed in different types of investment instrument are as follows:

   - UK and Foreign Banks with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.
   - UK Building Societies with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.

8. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:

   - Maximum amount to be placed with any one institution - £5m.
   - Group limits where a number of institutions are under one ownership – maximum of £7m.
   - Capita limits.
   - Country limits – a minimum sovereign rating of AA- is required for an institution to be placed on our approved lending list.

9. Investments will not be made with counterparties that do not have a credit rating in their own right.

10. Full individual listings of counterparties and counterparty limits as at 19th February 2016 is attached at Annex A.

2. **Liquidity Risk Management**

This Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

This Authority will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The Treasury Management Section shall seek to minimise the balance held in the Authority's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim. At the end of each financial day any unexpected surplus funds are transferred to the SIBA (Special Interest Bearing Account) account which is available from the Authority's main bank. The balance on this account is instantly accessible if the group bank account becomes overdrawn. Should this balance exceed the Group Limit then excess funds will be transferred to the Authority's Barclays account. The balance on the Barclays account is also instantly accessible.

- All payments over £50,000 have to be authorised by the Head of Finance and Treasurer.
- There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

3. **Interest Rate Risk Management**

This Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

The details of the Authority's views on interest rates are laid out for the coming financial year in the Treasury Management Strategy Report in the prior year to the activity.

The Treasury Management Strategy Report to the Authority each year approves the following limits:

- Authorised limit for external debt
- Operational boundary for external debt
- Upper limit on fixed interest rate exposures
- Upper limit on variable interest rate exposures
- Upper and lower limits for the maturity structure of borrowing
- Total principal sums invested for periods over 364 days

The indicator for the authorised limit for external debt is the maximum the Authority will allow itself to borrow in each financial year. It includes long-term debt, overdrafts, other long-term liabilities and short-term borrowing (to cover temporary cash shortages).

The operational boundary is the day-to-day or ‘normal’ limit for borrowing. It includes all long-term debt plus the normal overdraft limit.

4. Exchange Rate Risk Management

This Authority will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

The Authority will, as far as possible, limit its exposure to exchange rate fluctuations by ensuring as many transactions as possible are carried out in sterling.

5. Refinancing Risk Management

This Authority will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

The Authority will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

a. the generation of cash savings at minimum risk;

b. to reduce the average interest rate;

c. to amend the maturity profile and /or the balance of volatility of the debt portfolio.

The maturity profile of the Authority's debt will be reviewed regularly in association with the Authority's Treasury Management Advisers where necessary. Such reviews will seek to determine whether or not market conditions are suitable for refinancing any of the Authority's debt to allow more advantageous borrowing terms. The revenue consequences of refinancing will be evaluated prior to the transaction being completed. The effect on the maturity profile prudential indicator will be analysed to ensure that any changes to the profile are within limits. Any rescheduling would only be undertaken after consultations between the Head of Finance and Treasurer.

Rescheduling will be reported to the FRA (Fire and Rescue Authority) *at the meeting immediately following it's action/in the annual review report.*

5.1 **Projected Capital Investment Requirements**

The responsible officer will prepare a four year plan for capital expenditure for the Authority. The capital plan will be used to prepare a four year revenue budget for all forms of financing charges.

The definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

In considering the affordability of its capital plans, the Authority will consider all the resources currently available/estimated for the future together with the total of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the three following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this four year period.

The Authority budgeted for revenue contributions for capital expenditure in the 2015/16 budget and continues to do so in the 2016/17 revenue budget.

The Authority will use the definitions provided in the Prudential Code for borrowing (65), capital expenditure (66), capital financing requirement (67), debt (68), financing costs (69), investments (70), net borrowing (71), net revenue stream (72), other long term liabilities (73).

6. **Legal and Regulatory Risk Management**

This Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

The treasury management activities of the Authority shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Authority. These are:

- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2011
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2011
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- Local Government Act 2003
- SI 2003 No 3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- SI 2004 No 533 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- SI 2003 No 3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- SI 2004 No 534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004 (revised 1.4.10)
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006 Statutory Instrument No. 521
- SI 2007 No 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- SI 2008 No 414 f(Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- SI 2009 No 321 (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- SI 2009 No 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- SI 2009 No 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- SI 2010 No 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Revised Guidance on Investments CLG 1.4.2010
- PWLB circulars on Lending Policy
- Financial Services Authority's Code of Market Conduct
- The Authority's Standing Orders relating to Contracts

- The Authority's Financial Regulations
- The Authority's Scheme of Delegated Functions

6.1 Procedures for Evidencing the Authority's Powers to Counterparties

The Authority's powers to borrow and invest are contained in legislation:

Investing: Local Government Act 2003, Section 12
Borrowing: Local Government Act 2003, Section 1

In addition, it will make available on request the following:

a. the Scheme of Delegation of Treasury Management activities which is contained in the Annual Investment Strategy, Appendix 6, which states which officers carry out these duties;
b. the document which sets which Officers are the authorised signatories.

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Authority's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard and Poors.

The responsible officer shall take appropriate action with the Authority the Chief Fire Officer and the Chair of the Authority to respond to and manage appropriately political risks such as change of majority group, leadership in the Authority, change of Government etc.

The Monitoring Officer is Mr John Atkinson. The duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

The Chief Financial Officer is the Head of Finance and Treasurer, with the CA (Chief Accountant) who is the deputy S151 Officer; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to make a report to the Authority if he/she has concerns as to the financial prudence of its actions or its expected financial position.

7. Fraud, Error and Corruption, and Contingency Management

The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Authority will, therefore:

a. seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks;

b. fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are;

c. staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision;

d. records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

7.1. **Systems and Procedures, Including Internet Services**

7.1.1 **Authority**

The Scheme of Delegation to Officers is that overall responsibility for Treasury Management is delegated to the Head of Finance and Treasurer. Delegation of other officers is set out in TMP 5 below.

All loans and investments, including PWLB (Public Works Loan Board), are negotiated by the responsible officer or authorised persons.

7.1.2 **Procedures**

The Treasury Team check and monitor the bank accounts daily by using the on-line service. This is password controlled and only delegated officers have access and are issued with 'Smartcards' to carry out transactions. The Team ensure that all necessary daily transactions are carried out to achieve the maximum interest possible on available funds.

These transactions are authorised and checked by at least three members of the Treasury Team.

CHAPS (Clearing House Automated Payment System) payments are now available on-line too. These are same-day payments. However, any CHAPS payments have to be authorised by the Head of Finance and Treasurer. These are very rarely used, normally for investments only.

7.1.3 **Investment and Borrowing Transactions**

A detailed spreadsheet register of all loans and investments is maintained by the Treasury Management Team.

A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.

Written confirmation is received and checked against the dealer's records for the transaction.

Any discrepancies are immediately reported to the Head of Finance and Treasurer for resolution.

All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Head of Finance and Treasurer for resolution.

7.1.4 **Regularity and Security**

Lending is only made to institutions on the approved list of counterparties.

The delegated officer has a record of all investments maturity dates and loan repayment dates.

All loans raised and repayments made go directly to and from the bank account of approved counterparties.

Brokers have a list of named officials authorised to agree deals.

7.1.5 **Checks**

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- A debt charge/investment income listing is produced every six months when a review is undertaken against the budget for interest earnings and debt costs
- The Authority will ensure that the external funds we invest in, are accounted for in accordance with proper accounting practices.
- The Authority will treat our external fund(s) as our own investments and will separate the assets into their component parts. As a result, the Authority will only take realised gains and losses and interest (accrued and received) to the Income and Expenditure Account.

7.1.6 **Calculations**

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the delegated Treasury Officer.

The spreadsheet automatically calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to lenders.

Average weighted capital loans fund interest rates and debt management expenses are calculated monthly using information from the spreadsheet and a monthly report from our Treasury consultants.

These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the Loans Fund.

7.2 **Emergency and Contingency Planning Arrangements**

Arrangements are in place within the Finance Department's Business Continuity Plan for Treasury Management.

In the event of the failure of the Internet Banking System then all information required to carry out the daily procedures can be obtained by phone from the Authority's bank. BACS/CHAPS payments may be made by using paper forms and faxing to the bank, after all relevant authorising signatories are obtained.

It is possible for the delegated member of the Treasury Team to access the on-line banking from home, should the need arise.

All members of the Treasury Management Team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites.

7.3 Protection Programme/Insurance Cover Details

The Authority's Protection Programme is with the Fire and Rescue Indemnity Company Limited (FRIC). This is for Motor, Property, Public Liability, Employees/Employers Liability, personal accident, business interruption and computers.

Business Travel and Engineering Inspection is procured from Zurich Municipal

As previously reported to and approved by the FRA, as from November 2015 the Authority, along with eight others is a member of FRIC. FRIC is managed on the authorities behalf by Regis Mutual Management Limited (RMML).

8. Market Risk Management

This Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

The Authority has no intention of making investments where the principal value can fluctuate (Gilts, CDs, Etc).

TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

These are sterling investments that do not exceed 364 days and are with:

- an organisation that has a high credit rating;
- other local authority or,
- Central Government.

Strategy for specified Investments:

The Authority expects to have a net surplus of funds throughout 2015/16 and will invest those funds through the money market with those organisations included on its approved lending list (attached as Annex A).

The Authority's approved lending list includes the following organisations which are thus deemed to have a high credit rating:

- UK and Foreign Banks with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.
- UK Building Societies with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.

Ratings are those given by Fitch, the credit rating agency. In compiling the lending list, other factors such as legal rating and individual rating, which Fitch also provide, have been taken into consideration. The lending list is regularly reviewed to ensure that the organisations included maintain their credit ratings at the required level.

Investments will be made for terms of up to 364 days. The Authority will consider its cash flow requirements, prevailing market conditions and advice from its Treasury Advisers when determining exact terms for each investment, in order to ensure that it is both favourable and prudent. At the time of writing, interest rates are at a low point.

Non-Specified Investments:

These are any other investments that do not meet the criteria above for Specified Investments.

The Authority has no investments other than the short-term investment of surplus cash through the money market. Under previous regulations the investment of surplus cash was restricted to periods not exceeding 364 days. Under the new regulations that restriction is removed, however investments that do exceed 364 days are classified as non-specified investments because of the greater degree of risk they carry.

The Authority's cash flow profile makes it unlikely that investments in excess of 364 days would be considered and consequently no non-specified investments are anticipated.

SPECIFIED INVESTMENTS: (All such investments will be sterling denominated, with **maturities up to maximum of 1 year,** meeting the minimum 'high' rating criteria where applicable.)

	*** Minimum 'High' Credit Criteria**	**Use**
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Green	In-house

**** Countries included on Lending List:**

AAA

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

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % Limit	Max. maturity period
UK banks	Orange	In-house	25%	**1 year**
UK banks and Building Societies	Red	In-house	25%	**6 months**
UK banks and Building Societies	Green	In-house	25%	**100 days**
UK banks and Building Societies	No Colour	In-house	Not to be used	
UK part nationalised banks	Blue	In-house	90%	**1 year**
DMADF	AAA	In-house	Unlimited	**6 months**
Local Authorities	n/a	In-house	25%	**5 years**
Money Market Funds	MMF rating	In-house and Fund Managers		**1 year**
Enhanced Money Market Funds with a credit score of 1.25	MMF / bond fund rating	In-house and Fund Managers		**1 year**
Enhanced Money Market Funds with a credit score of 1.5	MMF / bond fund rating	In-house and Fund Managers		**1 year**

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority. To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS

No non-specified investments will be made.

TMP 2 PERFORMANCE MEASUREMENT

1. Evaluation and Review of Treasury Management Decisions

The Authority has a number of approaches to evaluating treasury management decisions:

a. quarterly reviews carried out by the Treasury Management Team,
b. reviews with our treasury management consultants,
c. annual review after the end of the year as reported to full FRA,
d. half yearly/quarterly/other monitoring reports to Corporate Services Policy and Challenge Group and FRA,
e. comparative reviews,
f. strategic, scrutiny and efficiency value for money reviews.

2. Periodic Reviews during the Financial Year

The Head of Finance and Treasurer holds a treasury management review meeting with the Treasury Management Team every quarter to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.

This will include:

a. Total debt (both on-and off balance sheet) including average rate and maturity profile.
b. Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

3. Reviews with Our Treasury Management Consultants

The Treasury Management Team holds reviews with our consultants every six months to review the performance of the investment and debt portfolios. Our consultants also provide a monthly Investment portfolio.

4. Annual Review after the End of the Financial Year

An Annual Treasury Report is submitted to the Corporate Services Policy and Challenge Group prior to the Fire and Rescue Authority each year after the close of the financial year. The report details the performance of the debt/investment portfolios. This report contains the following:

a. total debt and investments at the beginning and close of the financial year and average interest rates,
b. borrowing strategy for the year compared to actual strategy,
c. investment strategy for the year compared to actual strategy,
d. explanations for variance between original strategies and actual,
e. debt rescheduling done in the year,
f. actual borrowing and investment rates available through the year,
g. comparison of return on investments to the investment benchmark,
h. compliance with Prudential and Treasury Indicators,
i. other.

5. Comparative Reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the Authority on debt and investments compares to other Authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from:

- CIPFA Treasury Management statistics published each year for the last complete financial year.
- Reviews from Treasury Advisers (Capita).

6. Benchmarks and Calculation Methodology

6.1 Debt Management

- Average rate on all external debt.
- Average period to maturity of external debt.
- Average period to maturity of new loans in previous year.

6.2 Investment

The performance of investment earnings will be measured against the following benchmarks:

7 day LIBID uncompounded

7. Consultants'/Advisers' Services

This Authority's policy is to appoint full-time professional treasury management consultants and separate leasing advisory consultants.

8. Policy on External Managers (Other Than Relating to Superannuation Funds)

The Authority's policy is not to appoint external investment fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

1. Funding, Borrowing, Lending, and New Instruments/Techniques

1.1 Records to Be Kept

The Treasury Section has a paper treasury management system backed up by electronic records in which all investment and loan transactions are recorded.

Full details of the system are covered in the user manual. The following records will be retained:

Daily cash balance forecasts
Money market rates obtained by email from brokers/banks
Dealing slips for all money market transactions
Brokers' confirmations for investment and temporary borrowing transactions
Confirmations from borrowing/lending institutions where deals are done directly
PWLB loan confirmations
PWLB debt portfolio schedules.

1.2 Processes to Be Pursued

Cash flow analysis
Debt and investment maturity analysis
Ledger reconciliation
Review of opportunities for debt restructuring
Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
Performance information (eg monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns etc.)

1.3 Issues to Be Addressed

1.3.1 *In respect of every treasury management decision made the Authority will:*

- a. above all be clear about the nature and extent of the risks to which the Authority may become exposed;
- b. be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;
- c. be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good housekeeping;
- d. ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded;
- e. be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

1.3.2 *In respect of borrowing and other funding decisions, the Authority will:*

a. consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets;

b. evaluate the economic and market factors that might influence the manner and timing of any decision to fund;

c. consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;

d. consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

1.3.3 *In respect of investment decisions, the Authority will:*

a. consider the optimum period, in the light of cash flow availability and prevailing market conditions;

b. Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

1. Approved Activities of the Treasury Management Operation

Borrowing
Lending
Debt repayment and rescheduling
Consideration, approval and use of new financial instruments and treasury management techniques
Managing the underlying risk associated with the Authority's capital financing and surplus funds activities
Managing cash flow
Banking activities
Leasing

2. Approved Instruments for Investments

The Authority must approve an Annual Investment Strategy in compliance with Government Guidance on Local Government Investments issued under Section 15 (1) (a) of the Local Government Act 2003. This sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3. Approved Techniques

The strategy deals with the credit ratings defined for each category of investments ensuring security and liquidity of investments.

4. Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Authority has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
Internal (capital receipts and revenue balances)	●	●
Leasing (not operating leases)	●	●

Other Methods of Financing
Government and EC Capital Grants
Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

5. **Investment Limits**

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

6. **Borrowing Limits**

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

1. Allocation of Responsibilities

1.1 Corporate Services Policy and Challenge Group

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Recommending approval of annual strategy.
- Recommending to the FRA, commenting as appropriate.

1.2 Fire and Rescue Authority

- Approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Receiving and reviewing regular monitoring reports and acting on recommendations (via Corporate Services Policy and Challenge Group).
- Approving the selection of external service providers and agreeing terms of appointment.

1.3 Head of Finance and Treasurer

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

2. Principles and Practices Concerning Segregation of Duties

The following duties must be undertaken by separate officers:

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation.
Accounting Entry	Production of transfer note. Processing of accounting entry.
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

3. **<u>Treasury Management Organisation Chart</u>**

Chief Fire Officer
I
Head of Finance and Treasurer
I
Chief Accountant

Principal Finance Officer

Principal Finance Officer

4. **<u>Statement of the Treasury Management Duties/Responsibilities of each Treasury Post</u>**

4.1 **The Responsible Officer (The Head of Finance and Asset Management/Treasurer)**

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Authority is the Treasurer.

This person will carry out the following duties:

a. recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;

b. submitting regular treasury management policy reports;

c. submitting budgets and budget variations;

d. receiving and reviewing management information reports;

e. reviewing the performance of the treasury management function;

f. ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;

g. ensuring the adequacy of internal audit, and liaising with external audit;

h. recommending the appointment of external service providers;

i. the responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments;

j. the responsible officer may delegate his power to borrow and invest to members of his staff. The Chief Accountant and the Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above;

k. the responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible;

l. prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Authority's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations;

m. it is also the responsibility of the responsible officer to ensure that the Authority complies with the requirements of The Non-Investment Products Code (formerly known as the London Code of Conduct) for principals and broking firms in the wholesale markets.

4.2 The Chief Accountant

The responsibilities of this post will be:

a. adherence to agreed policies and practices on a day-to-day basis,

b. supervising Treasury Management staff,

c. monitoring performance on a day-to-day basis,

d. submitting management information reports to the responsible officer,

e. identifying and recommending, opportunities for improved practices.

4.3 The Chief Fire Officer

The responsibilities of this post will be:

a. Ensuring that the system is specified and implemented.

b. Ensuring that the responsible officer reports regularly to the Corporate Services Policy and Challenge Group on treasury policy, activity and performance.

4.4 The Principal Finance Officers

The responsibilities of this post will be:

a. Monitoring the daily cashflow and day-to-day transactions.

b. Execution of transactions.

c. Maintaining relationships with counterparties and external service providers.

d. Monitoring investments and loans with regards to maturing and repayment dates.

e. Monthly bank reconciliations.

f. Ensuring all paperwork for raising loans and investments is recorded correctly and is in accordance with the Treasury Management Strategy.

4.5 **Internal Audit**

The responsibilities of Internal Audit will be:

a. Reviewing segregation with approved policy and treasury management practices.

b. Reviewing segregation of duties and operational practice.

c. Assessing value for money from treasury activities.

d. Undertaking probity audit of treasury function.

4.6 **Absence Cover Arrangements**

Both Principal Finance Officers have access, passwords and smartcards to enable them to use the on-line banking service for all day-to-day transactions.

4.7 **Dealing Limits**

There are no dealing limits for individual posts.

4.8 **Settlement Transmission Procedures**

A formal form/letter signed by two agreed cheque signatories setting out each transaction is completed where preliminary instructions have been given by telephone. For payments a transfer will be made through the Banks on-line system to be completed by 2.00 pm on the same day.

4.9 **Documentation Requirements**

For each deal undertaken a record is prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker (if one used).

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

1. **Annual Programme of Reporting**

a. Annual reporting requirements before the start of the year:

   i. review of the organisation's approved clauses, Treasury Management Policy Statement and practices;

   ii. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.

b. Mid-year review.

c. Annual review report after the end of the year.

2. **Annual Treasury Management Strategy Statement**

2.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Corporate Services Policy and Challenge Group for review and scrutiny prior to the FRA for approval before the commencement of each financial year.

2.2 The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Authority may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

2.3 The Treasury Management Strategy Statement is concerned with the following elements:

   a. Prudential and Treasury Indicators
   b. current Treasury portfolio position
   c. borrowing requirement
   d. prospects for interest rates
   e. borrowing strategy
   f. policy on borrowing in advance of need
   g. debt rescheduling
   h. investment strategy
   i. creditworthiness policy
   j. policy on the use of external service providers
   k. any extraordinary treasury issue
   l. the MRP strategy

2.4 The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

3. **The Annual Investment Strategy Statement**

At the same time as the Members receive the Treasury Management Strategy Statement they will also receive a report on the Annual Investment Strategy which will set out the following:

a. The Authority's risk appetite in respect of security, liquidity and optimum performance.

b. The definition of high credit quality to determine what are specified investments as distinct from non specified investments.

c. Which specified and non specified instruments the Authority will use.

d. Whether they will be used by the in house team, external managers or both (if applicable).

e. The Authority's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list.

f. Which credit rating agencies the Authority will use.

g. How the Authority will deal with changes in ratings, rating watches and rating outlooks.

h. Limits for individual counterparties and group limits.

i. Country limits.

j. Levels of cash balances.

k. Interest rate outlook.

l. Budget for investment earnings.

m. Policy on the use of external service providers.

4. **The Annual Minimum Revenue Provision**

This statement will set out how the Authority will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

5. **Policy on Prudential and Treasury Indicators**

5.1 The Authority approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

5.2 The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the FRA.

6. **Mid Year Review**

The Authority will review its treasury management activities and strategy on a six monthly basis. This review will consider the following:

a. activities undertaken,

b. variations (if any) from agreed policies/practices,

c. interim performance report,

d. regular monitoring,

e. monitoring of treasury management indicators for local authorities.

7. **Annual Review Report on Treasury Management Activity**

An annual report will be presented to the Corporate Services Policy and Challenge Group and the FRA at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

a. transactions executed and their revenue (current) effects,

b. report on risk implications of decisions taken and transactions executed,

c. compliance report on agreed policies and practices, and on statutory/regulatory requirements,

d. performance report,

e. report on compliance with CIPFA Code recommendations,

f. monitoring of treasury management indicators

8. **Management Information Reports**

Management information reports will be prepared at least twice a year by the Head of Finance and Treasurer and will be presented to the Corporate Services Policy and Challenge Group and the FRA.

These reports will contain the following information:

a. a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);

b. measurements of performance including effect on loan charges/investment income;

c. degree of compliance with original strategy and explanation of variances;

d. any non compliance with Prudential limits or other treasury management limits.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

1. Statutory/Regulatory Requirements

The Accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Authority has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Authority's treasury management activities.

2. Accounting Practices and Standards

Due regard is given to the Statements of Recommended Practice and Accounting Standards (SORP's) as they apply to Local Authorities in Great Britain.

3. Sample Budgets/Accounts/Prudential and Treasury Indicators

The Finance and Treasurer will prepare a four year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Head of Finance and Treasurer will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

4. List of Information Requirements of External Auditors

- Reconciliation of loans outstanding in the financial ledger to treasury management records.
- Maturity analysis of loans outstanding.
- Certificates for new long term loans taken out in the year.
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type.
- Calculation of loans fund interest and debt management expenses.
- Calculation of interest on working balances.
- Interest accrual calculation.
- Principal and interest charges records.
- Analysis of any deferred charges.
- Calculation of loans fund creditors.
- Annual Treasury Report.
- Treasury Management Strategy Statement and Prudential and Treasury Indicators.

- Review of observance of limits set by Prudential and Treasury Indicators.
- Calculation of the Minimum Revenue Provision.
- Treasury Management consultants valuations including investment.
- Income schedules and movement in capital values.

5. Monthly Budget Monitoring Report

Monthly electronic Budget Monitoring reports are produced for the CMT and go out monthly. Whilst a written budget monitoring report goes to CMT monthly. The report is intended to highlight any variances between budgets and spend in order that the Authority can assess its financial position. Details of treasury management activities are included within this report.

TMP 8 CASH AND CASHFLOW MANAGEMENT

1. Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

2. Bank Statements Procedures

The Authority receives weekly bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

A formal bank reconciliation is undertaken on a monthly basis by a Principal Finance Officer (PFO).

3. Payment Scheduling and Agreed Terms of Trade With Creditors

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments.

4. Arrangements for Monitoring Debtors/Creditors Levels

The Head of Finance and Treasurer is responsible for monitoring the levels of debtors and creditors. A monthly Debtors and Creditors reconciliation is carried out monthly by a PFO.

5. Procedures for Banking of Funds

All money received by an officer on behalf of the Authority will without unreasonable delay be passed to the Finance Admin Assistants (FAA), to deposit in the Authority's banking accounts. The FAA will notify a PFO each week of cash and cheques being banked the next day so that the figures can be taken into account in the daily cash flow.

TMP 9 MONEY LAUNDERING

This Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money.

Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed below:

1. Background Legislation

There are several Acts of Parliament and the FSA (Financial Services and Markets Act 2000) has also made provisions relating to money laundering, with the main legislation being contained in the Criminal Act 1993 (which contains the provision to implement the EU Money Laundering Directive).

Detailed money laundering regulations came into effect on 1 March 2004 under SI 2003 No 3075, and this Statutory Instrument, along with the Acts listed below, cover the main compliance requirements.

The key requirements of this legislation cover an area wider than the fairly narrow Treasury Management function, including possessing, or in any way dealing with, or concealing, the proceeds of crime.

Whilst the Authority is not directly required to implement the requirements of the Money Laundering Regulations 2003 (except through this TMP), the implications of the Terrorism Act 2000, the Anti-Terrorism, Crime and Security Act 2001 and The Proceeds of Crime Act 2002 place an onus of responsibility on individuals associated with treasury process to consider its implications.

2. Outline of the Requirements of the Regulations and Statutes

Every Officer should in the course of Authority business implement:

2.1 Identification Procedures

(SI 2003/3075 Money Laundering Regulations, 4 & 5). This regulation applies if:

a. You are forming a business relationship; or

b. considering undertaking a one-off transaction; and

    i. suspect a transaction involves money laundering,

    ii. a payment is to be made for Euro 15,000 or more (approximately £10,000).

c. In respect of two or more one-off transactions that the transactions are linked and involve Euro 15,000 or more.

2.2 **In these instances you should:**

a. Set up and maintain identification procedures to ensure the counterparty produces satisfactory evidence of his identity.

b. Follow the procedures to ensure the counterparty provides satisfactory evidence.

2.3 **These procedures should reflect:**

a. The greater potential for money laundering if the counterparty is not physically present when being identified.

b. If satisfactory evidence is not obtained the relationship or transaction does not proceed.

c. If the counterparty acts, or appears to act, for another person, reasonable measures must be taken for the purpose of identifying that person.

2.4 The primary exception to this requirement is if the counterparty carries on FSA regulated business in the UK (or comparable or by overseas regulatory authority) it is not required that you obtain evidence. In this case most treasury transactions will be undertaken with or via relevant businesses, although there may be isolated exceptions such as the Post Office.

2.5 **Record Keeping Procedures (Money Laundering Regulation 6)**

The Authority should maintain procedures covering the retention of records. To ensure compliance, records are required to be kept for 5 years after the end of the transaction or relationship.

2.6 **Internal Reporting Procedures (Money Laundering Regulation 7)**

The Authority maintains internal reporting procedures which document:

a. the "nominated officer", the Head of Finance and Treasurer is the Money Laundering Reporting Officer (MLRO) who will receive nominations under this regulation;

b. any other person in the organisation to whom information may arise which may result in them knowing or suspecting reasonable grounds for knowing or suspecting money laundering, fraud or use of the proceeds of crime;

c. if the MLRO receives a disclosure they should consider, in the light of all information, whether it gives rise to such knowledge or suspicion; and

d. if the MLRO determines that the information or matters should be disclosed they should do so to the National Criminal Intelligence Service (see 8. below).

2.7 **Other Procedures (Money Laundering Regulation 3(b))**

The Authority should establish other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering.

2.8 **Training (Money Laundering Regulation 3(c))**

The Authority should take appropriate measures to ensure that relevant employees are:

a. Made aware of the provisions of these regulations, Part 7 of the Proceeds of Crime Act 2002, Section 117 of the Anti-Terrorism, Crime and Security Act 2001 and sections 18 and 21A of the Terrorism Act 2000 (these deal with the offences and are available from www.legislation.hmso.gov.uk)

b. Given training in how to recognise and deal with transactions which may be related to money laundering.

c. National Crime Intelligence Service – In the event of an offence or a possible offence you should contact: NCIS Law enforcement personnel: Contact NCIS initially through 020 7238 8000.

2.9 In order to address these requirements the Authority has set up the following procedures:

2.9.1 *For Treasury Management Purposes:*

1. ***Training –*** Through this document and specific training, Treasury staff will be kept aware of developments in money laundering regulations. The Head of Finance and Treasurer will keep abreast of money laundering issues through publications and internet. The Head of Finance and Treasurer will, if required, arrange appropriate training for Treasury Management staff to ensure that they are kept up-to-date with treasury management issues including money laundering.

2. ***Material and regular deposits or borrowing –*** For all investment or borrowing counterparties, the HFAM and Treasury Officer will ensure that the counterparty has been suitably identified. This will take the form of:

2.9.2 *Investment Counterparties* - All investment counterparties which are maintained on the Authority's lending list will be a deposit taker authorised by a regulatory body such as the FSA. Those counterparties not authorised as a deposit taker though the FSA are institutions such as the Bank of England or Post Office and are not required to be the subject of stringent identification procedures, but Treasury staff will review these on a case by case basis.

2.9.3 *Borrowing Counterparties* – All borrowing counterparties are dealt with through either the following routes:

i. ***Via Money brokers –*** In this instance Money Laundering Regulations 5(2) applies in as much as the combination of the use of brokers and reasonable grounds that the counterparty carried on authorised business in the UK.

ii. ***Direct dealing –*** In this instance the Authority uses only recognised names, ones with credit ratings and to which the Authority has reasonable grounds to expect that the counterparty carries on regulated business in the UK. For a few notable exceptions such as Bank of England or Post Office, the nature of their business does not require stringent identification procedures, but the Authority will undertake procedures to 'know the counterparty'.

2.9.4 If any Treasury investment counterparties are not known to the Authority the Treasury Officer will ensure identification of the counterparty by checking the credit rating of the organisation via the Authority's treasury advisers, Sector. This would normally be undertaken during the compilation of the counterparty list. If the counterparty is neither credit rated, nor known to be carrying on regulated business (eg FSA), the Authority will not deal with that organisation.

2.9.5 *Small or Irregular Treasury Deposits* **–** The Authority does not accept deposits from local institutions of individuals.

2.10 **Non-Treasury Management Transactions**

2.10.1 **Regular cash and other receipts –** The Authority will in the normal operation of its services accept cash payments from individuals or organisations in relation to rents, sundry debtors etc. However the de minimus limit of Euro 15,000 applied in the regulations will mean that the requirements of the regulations do not apply to the majority of the Authority's customers, unless the Authority employee would have reasonable grounds to suspect money laundering activities of crime or is simply suspicious.

2.10.2 Significant cash receipts should be properly evaluated, evidence gathered and if not supported, refused. Any bank payments from unknown or overseas banks should be subject to similar scrutiny.

2.10.3 **Occasional receipts from infrequent customers –** The main receipts accepted by the Authority will be related to capital receipts from the sale of assets, although any other receipts in excess of Euro 15,000 will be reviewed.

2.10.4.**Payments –** The majority of the payments by the Authority will be via the payroll directly to bank accounts. Similarly the majority of creditor payments will be paid via BACS directly to domestic bank accounts or by crossed cheques and so the same controls will apply. In these cases the relevant bank will be required to comply with the money laundering regulations for their clients.

2.10.5 **Cash Payments –** The Authority does not make cash payments.

2.10.6 **Refunds –** A significant overpayment which results in a repayment will be properly investigated and authorised before payment.

2.10.7 **Fraud –** The Authority will regularly review risk areas, materiality and probability of loss.

2.11 **Reporting**

The Money Laundering Reporting Officer for this Authority is the Head of Finance and Treasurer. Any concern of a transaction possibly being linked to either money laundering of the proceeds of crime must be referred to the MLRO for consideration and if the concerns are validated the NCIS must be notified.

2.12 **Proceeds of Crime Act 2002**

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland;
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property;
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

2.13 **Terrorism Act 2000**

This Act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

2.14 **The Money Laundering Regulations 2007**

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003.

2.15 Local Authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Authority will do the following:

a. evaluate the prospect of laundered monies being handled by them;

b. determine the appropriate safeguards to be put in place;

c. require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness;

d. make all its staff aware of their responsibilities under POCA;

e. appoint a member of staff to whom they can report any suspicions. This person is the Head of Finance and Treasurer.

2.16 Procedures for Establishing Identity/Authenticity of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be affected by following the procedures below:

The Authority does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on www.fsa.gov.uk .

When repaying loans, the procedures in 2.17 will be followed to check the bank details of the recipient.

2.17 Methodologies for Identifying Deposit Takers

In the course of its Treasury activities, the Authority will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk.

All transactions will be carried out by BACS/CHAPS for making deposits or repaying loans.

TMP 10 TRAINING AND QUALIFICATIONS

The Authority recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals:

a. Treasury management staff employed by the Authority,

b. Members charged with governance of the Treasury Management function.

All Treasury Management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Authority uses the Consultancy services of Capita Asset Services Ltd to provide training for individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Head of Finance and Treasurer to ensure that all staff under his/her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the Treasury Management Team.

1. Details of Approved Training Courses

Treasury Management staff and Members will go on courses provided by our treasury management consultants, Capita Asset Services Ltd, or on approved treasury management courses by providers such as CIPFA.

2. Records of Training Received by Treasury Staff

The Head of Finance and Treasurer will maintain records on all staff and the training they receive.

3. Approved Qualifications for Treasury Staff

Chief Financial Officer

Title: Head of Finance and Treasurer
Professional Qualifications: CPFA

Officer responsible for TM under HFT

Title: Chief Accountant
Professional Qualifications: CIMA

Treasury Manager on a daily basis

Title: Principal Finance Officer
Professional Qualification: AAT

Other TM Team Members

Titles: Principal Finance Officers
Professional Qualifications: AAT

4. Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the Treasury Management Section in order to gain first hand experience of treasury management operations.

5. Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of Consultative Committee of Accounting Bodies (CCAB) must also comply with the SOPP.

6. Member Training Records

Records will be kept of all training in treasury management provided to Members.

7. Members Charged With Governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

1. Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This Authority will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in-house Treasury Management Team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury Management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press.
- Market data.
- Information on Government support for banks.
- The credit ratings of that Government support.

2. Banking Services

NatWest

a. Name of supplier of service is the NatWest Bank.
b. Regulatory status – banking institution authorised to undertake banking activities by the FSA.
c. The branch address is:
High Street, Bedford
Corporate Service Team Tel No: 0845 308 8969
d. Cost of service is variable depending on schedule of tariffs and volumes.
e. Payments due monthly.
f. Annual review with the Bank to discuss, agree and sign the Advice of Borrowing Terms and Conditions.

Barclays

a. Name of second supplier of service is the Barclays Bank.
b. Regulatory status – banking institution authorised to undertake banking activities by the FSA.
c. The branch address is:
16/18 St. Peters Street, St. Albans AL3 4DZ
Corporate Service Team Tel No: 0845 878 7052
d. Cost of service is variable depending on schedule of tariffs and volumes.
e. Payments due monthly.
f. Annual review with the Bank to discuss, agree and sign the Advice of Borrowing Terms and Conditions.

3. **<u>Consultants'/Advisers' Services</u>**

3.1 Treasury Consultancy Services

The Authority will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed by the Head of Finance and Treasurer every 6 months to check whether performance has met expectations.

Name and address of supplier of service is:

Capita Asset Services Limited (formerly Sector)
17 Rochester Row
London
SW1P 1QT
Tel: 0871 664 6800

a. Regulatory status: investment adviser authorised by the FSA.
b. Contract commenced 1 June 2015 and runs for three years to 31 May 2018.
c. Cost of service is £5,625 + VAT (increasing by 2.1% each year).
d. Payments due on 30 June 2015, 30 June 2016 and 30 June 2017.

3.2 Credit Rating Agency

The Authority receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

TMP 12 CORPORATE GOVERNANCE

List of Documents to be Made Available for Public Inspection

The Authority is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

The following documents are available for public inspection:

Treasury Management Policy Statement
Treasury Management Strategy Statement
Annual Investment Strategy
Minimum Revenue Provision Policy Statement
Annual Treasury Review Report
Treasury Management monitoring reports (eg half yearly, quarterly)
Annual Accounts and Financial Instruments Disclosure Notes
Annual Budget
Four Year Capital Programme
Minutes of Committee Meetings

Weekly Credit List: 19/02/2016

Institution Benchmark: iTraxx Senior Financials Index 119 (139)

Institution Benchmark: Monitoring Boundary 119

:	**Fitch Ratings**				**Moodys Ratings**			**S & P Ratings**		
Organisation	Long Term	Short Term	Viability	Support	Long Term	Short Term	FSR	Long Term	Short Term	Suggested Duration (CDS Adjusted with manual override)
.										
U.K	AA+	-	-	-	Aa1	-	-	AAA	-	Not Applicable
Abbey National Treasury Services plc	A	F1	-	-	A1	P-1	-	-	-	R - 6 mths
Bank of Scotland Plc	A+	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Barclays Bank plc	A	F1	a	5	A2	P-1	-	A-	A-2	R - 6 mths
Close Brothers Ltd	A	F1	a	5	Aa3	P-1	-	-	-	R - 6 mths
Goldman Sachs International Bank ~	A	F1	-	-	A1	P-1	-	A	A-1	G - 100 days
HSBC Bank plc	AA-	F1+	a+	1	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Lloyds Bank Plc	A+	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Santander UK plc	A	F1	a	2	A1	P-1	-	A	A-1	R - 6 mths
Standard Chartered Bank	A+	F1	a+	5	Aa2	P-1	-	A+	A-1	N/C - 0 mths
Sumitomo Mitsui Banking Corporation Europe Ltd ~	A	F1	-	1	A1	P-1	-	A	A-1	G - 100 days
UBS Ltd ~	A	F1	-	1	A1	P-1	-	A	A-1	R - 6 mths
Coventry BS	A	F1	a	5	A2	P-1	-	-	-	R - 6 mths
Leeds BS	A-	F1	a-	5	A2	P-1	-	-	-	R - 6 mths
Nationwide BS	A	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Nottingham BS	-	-	-	-	Baa1	P-2	-	-	-	N/C - 0 mths
West Bromwich BS	-	-	-	-	B1	NP	-	-	-	N/C - 0 mths
Yorkshire BS	A-	F1	a-	5	A3	P-2	-	-	-	G - 100 days
AAA rated and Government backed securities	-	-	-	-	-	-	-	-	-	-
Collateralised LA Deposit*	AA+	-	-	-	Aa1	-	-	AAA	-	No Data Available
Debt Management Office	AA+	-	-	-	Aa1	-	-	AAA	-	No Data Available
Supranationals	AAA	-	-	-	Aaa	-	-	AAA	-	No Data Available
UK Gilts	AA+	-	-	-	Aa1	-	-	AAA	-	No Data Available

Weekly Credit List: 19/02/2016

Institution Benchmark: iTraxx Senior Financials Index 119 (139)

Institution Benchmark: Monitoring Boundary 119

:	**Fitch Ratings**				**Moodys Ratings**			**S & P Ratings**		
Organisation	Long Term	Short Term	Viability	Support	Long Term	Short Term	FSR	Long Term	Short Term	Suggested Duration (CDS Adjusted with manual override)
Foreign Banks										
U.S.A	AAA	-	-	-	Aaa	-	-	AA+	-	Not Applicable
Bank of America, N.A.~	A+	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Bank of New York Mellon, The	AA	F1+	aa-	5	Aa1	P-1	-	AA-	A-1+	P - 24 mths
Citibank, N.A. ~	A+	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
JPMorgan Chase Bank NA	AA-	F1+	a+	5	Aa2	P-1	-	A+	A-1	O - 12 mths
Wells Fargo Bank NA	AA	F1+	aa-	5	Aa1	P-1	-	AA-	A-1+	P - 24 mths
Abu Dhabi (U.A.E)	AA	-	-	-	Aa2	-	-	AA	-	Not Applicable
National Bank of Abu Dhabi	AA-	F1+	a-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Australia	AAA	-	-	-	Aaa	-	-	AAA	-	Not Applicable
Australia and New Zealand Banking Group Ltd	AA-	F1+	aa-	1	Aa2	P-1	-	AA-	A-1+	R - 6 mths
Commonwealth Bank of Australia	AA-	F1+	aa-	1	Aa2	P-1	-	AA-	A-1+	R - 6 mths
Macquarie Bank Limited	A	F1	a	3	A2	P-1	-	A	A-1	G - 100 days

National Australia Bank Ltd	AA-	F1+	aa-	1	Aa2	P-1	-	AA-	A-1+	R - 6 mths
Westpac Banking Corporation	AA-	F1+	aa-	1	Aa2	P-1	-	AA-	A-1+	R - 6 mths
Belgium	AA	-	-	-	Aa3	-	-	AA	-	Not Applicable
BNP Paribas Fortis	A+	F1	a	1	A1	P-1	-	A+	A-1	R - 6 mths
KBC Bank NV	A-	F1	a-	5	A1	P-1	-	A	A-1	R - 6 mths
Canada	AAA	-	-	-	Aaa	-	-	AAA	-	Not Applicable
Bank of Montreal	AA-	F1+	aa-	2	Aa3	P-1	-	A+	A-1	O - 12 mths
Bank of Nova Scotia	AA-	F1+	aa-	2	Aa3	P-1	-	A+	A-1	O - 12 mths
Canadian Imperial Bank of Commerce	AA-	F1+	aa-	2	Aa3	P-1	-	A+	A-1	O - 12 mths
National Bank of Canada	A+	F1	a+	2	Aa3	P-1	-	A	A-1	R - 6 mths
Royal Bank of Canada	AA	F1+	aa	2	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Toronto Dominion Bank	AA-	F1+	aa-	2	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Denmark	AAA	-	-	-	Aaa	-	-	AAA	-	Not Applicable
Danske Bank	A	F1	a	5	A2	P-1	-	A	A-1	R - 6 mths
Finland	AAA	-	-	-	Aaa	-	-	AA+	-	Not Applicable
Nordea Bank Finland plc ~	AA-	F1+	aa-	5	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Pohjola Bank	-	-	-	-	Aa3	P-1	-	AA-	A-1+	O - 12 mths
France	AA	-	-	-	Aa2	-	-	AA	-	Not Applicable
BNP Paribas	A+	F1	a+	5	A1	P-1	-	A+	A-1	R - 6 mths
Credit Agricole Corporate and Investment Bank	A	F1	-	-	A2	P-1	-	A	A-1	R - 6 mths
Credit Industriel et Commercial	A+	F1	a+	5	Aa3	P-1	-	A	A-1	R - 6 mths
Credit Agricole SA	A	F1	a	5	A2	P-1	-	A	A-1	R - 6 mths
Societe Generale	A	F1	a	5	A2	P-1	-	A	A-1	R - 6 mths
Germany	AAA	-	-	-	Aaa	-	-	AAA	-	Not Applicable
BayernLB	A-	F1	bb+	1	A1	P-1	-	-	-	R - 6 mths
Deutsche Bank AG	A-	F1	a-	5	A2	P-1	-	BBB+	A-2	N/C - 0 mths
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	-	-	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Landesbank Baden Wuerttemberg	A-	F1	bbb	1	Aa3	P-1	-	-	-	R - 6 mths
Landesbank Berlin AG	-	-	-	-	Aa3	P-1	-	-	-	O - 12 mths
Landesbank Hessen-Thueringen Girozentrale (Helaba)	A+	F1+	-	-	Aa3	P-1	-	A	A-1	O - 12 mths
Landwirtschaftliche Rentenbank	AAA	F1+	-	1	Aaa	P-1	-	AAA	A-1+	P - 24 mths
Norddeutsche Landesbank Girozentrale	A-	F1	bb+	1	A2	P-1	-	-	-	G - 100 days
NRW.BANK	AAA	F1+	-	1	Aa1	P-1	-	AA-	A-1+	P - 24 mths
Netherlands	AAA	-	-	-	Aaa	-	-	AAA	-	Not Applicable
ABN AMRO Bank N.V.	A	F1	a	5	A2	P-1	-	A	A-1	R - 6 mths
Bank Nederlandse Gemeenten	AA+	F1+	-	1	Aaa	P-1	-	AAA	A-1+	P - 24 mths
Cooperatieve Rabobank U.A.	AA-	F1+	a+	5	Aa2	P-1	-	A+	A-1	O - 12 mths
ING Bank NV	A	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Nederlandse Waterschapsbank N.V	-	-	-	-	Aaa	P-1	-	AAA	A-1+	P - 24 mths
Qatar	AA	-	-	-	Aa2	-	-	AA	-	Not Applicable
Qatar National Bank	AA-	F1+	a	1	Aa3	P-1	-	A+	A-1	O - 12 mths
Singapore	AAA	-	-	-	Aaa	-	-	AAA	-	Not Applicable
DBS Bank Ltd	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Oversea Chinese Banking Corporation Ltd	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
United Overseas Bank Ltd	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Sweden	AAA	-	-	-	Aaa	-	-	AAA	-	Not Applicable
Nordea Bank AB	AA-	F1+	aa-	2	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Skandinaviska Enskilda Banken AB	A+	F1	a+	2	Aa3	P-1	-	A+	A-1	O - 12 mths
Swedbank AB	A+	F1	a+	2	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Svenska Handelsbanken AB	AA-	F1+	aa-	2	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Switzerland	AAA	-	-	-	Aaa	-	-	AAA	-	Not Applicable
Credit Suisse AG	A	F1	a	5	A1	P-1	-	A	A-1	G - 100 days
UBS AG	A	F1	a	5	Aa3	P-1	-	A	A-1	R - 6 mths

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item No. 11

REPORT AUTHOR: **HEAD OF FINANCE/TREASURER**

SUBJECT: **UTILITIES USAGE**

For further information on this Report contact: Gavin Chambers, Head of Finance/Treasurer

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Background Papers: Report to CSPCG 15 September 2015, Land & Buildings Asset Management Plan

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Implications (tick ✓):

LEGAL			FINANCIAL	✓
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL		✓	POLICY	
CORPORATE RISK	Known		CORE BRIEF	
	New		OTHER (please specify)	

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To present to the Corporate Services Policy and Challenge Group the progress made of utilities management and monitoring.

RECOMMENDATIONS:

That the Corporate Services Policy and Challenge Group consider the contents of this report and progress being made.

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1. Introduction

1.1 The Property Team's focus is on ensuring that our land and buildings are legally compliant and in adherence with regulations covering areas such as legionella, gas, electricity, asbestos, tree management and lightening protection. Their role is to also ensure that the Authority's land and buildings are fit for purpose and improved where necessary (capital and revenue works).

1.2 Amongst other work areas, the Team also monitors the usage of utilities across the fourteen sites. This is with a view of reducing expenditure and taking environmental considerations into account too.

2. Utility Usage

2.1 A report was presented to the CSP&CG in September 2015 outlining the use of water, gas and electricity per site and how the use between them compared. Some anomalies were apparent and these have been looked into further. One of the key areas that needed addressing was the use of lighting and heating.

2.2 Areas that have progressed/are progressing, where anomalies between like sized stations were identified include:

- More efficient internal light fittings;
- More efficient external light fittings (a Health and Safety improvement too);
- Lighting that is switched on/off by movement detectors (internal and external);
- More efficient heating and water boilers;
- Upgrading of radiators where necessary;
- Timers installed in laundry/drying rooms;

- Advice on temperatures to stations, particularly vehicle bays (when the doors opened, all the heat escapes);
- Insulation installed/to be installed where necessary (loft, wall, ceiling), including a review of flat roofs and single glazed windows;
- Secondary glazing where roof lights (windows) were single glazed;
- Replaced critleglazed single windows with double glazed;
- Replaced old electric showers; and
- The remote management of boilers on stations is currently being looked into.

2.3 The above addresses high usage examples such as retained stations having the lights or heating left on. This could be by Service personnel or our partners who pay rent to use our stations. The installation of movement detectors will turn the lights off after a set period if no movement is detected. For example, these have been installed at Shefford Station, which is used in the evenings by the Ambulance Service as well as retained Firefighters if they are called out.

2.4 The Property Team are also working proactively with Station Managers and introducing Energy Champions. These are individuals who will encourage officers to reduce our energy consumption by switching off lights when not in use and turning the heating down.

2.5 A key factor of ensuring that the correct monitoring of usage is taking place is to have accurate usage figures. All of the premises have water meters but not all have meters for gas and electricity. It was previously reported that the Authority will seek to introduce these meters to assist in the management of gas and electricity. The installation of the smart meters are in high demand and the Property Team have been persistent with liaising with our energy providers and monitoring the roll out of the meters that are provided by them.

2.6 It is anticipated that all premises will have meters for gas and electricity fitted by the end of the first quarter of 2016/17.

3. Next Steps

3.1 Post 31 March 2016, the actual usage data for 2015/16 will be available. This will then be compared to the benchmarks set for 2015/16, from the 2014/15 data and used to set the 2016/17 benchmarks. As the report above notes, these will become more accurate and reliable when manual meter readings and estimates are eliminated and electronic smart meters provide this timely and accurate management information.

GAVIN CHAMBERS
HEAD OF FINANCE/TREASURER

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item No. 12

REPORT AUTHOR: **HEAD OF STRATEGIC SUPPORT**

SUBJECT: **PROVISION OF ICT EQUIPMENT FOR PAPERLESS MEETINGS TRIAL**

For further information on this Report contact: Alison Ashwood
Head of Strategic Support
Tel No: 01234 845015

Background Papers:

Minutes of the Bedfordshire Fire and Rescue Authority Meeting 17 December 2015.

Implications (tick ✓):

LEGAL		FINANCIAL	
HUMAN RESOURCES		EQUALITY IMPACT	
ENVIRONMENTAL		POLICY	✓
ORGANISATIONAL RISK	✓	OTHER (please specify)	
		CORE BRIEF	

Any implications affecting this report are noted at the end of the report.

PURPOSE

To present to the Corporate Services Policy and Challenge further information in relation to the provision of ICT equipment for use in paperless meeting trials

RECOMMENDATION

Members of the Corporate Services Policy and Challenge Group review and note the provision and plans.

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1. Introduction

In the Fire and Rescue Authority's meeting held on 17 December 2015, Members resolved that a report on the provision of standard ICT equipment which is capable of running the Authority's preferred solution for the electronic publication of agendas and minutes be submitted to the Corporate Services Policy and Challenge Group.

This report provides Members with information gathered from a survey of ICT equipment used by Members and outlines the plan for provision of ICT equipment to support the trial of paperless meetings and associated deployment of the Service's committee meeting software, Modern.Gov.

2. Background

The Corporate Services Policy and Challenge Group is continuing to trial paperless meetings which began in 2015.

The current system for distributing the electronic papers during the paperless meeting trial uses email with papers in the Adobe .pdf format.

Members access their meeting papers using a variety of ICT hardware and operating systems including laptop PC (Windows), iPads (IOS), Surface Books (Windows), smart phones (including Android, Apple IOS and Windows).

The Service is embarking on a project to deploy software for managing and publishing agenda, minutes and other papers. This software is Modern.Gov, a web-based system already in use by both Bedford Borough and Central Bedfordshire councils. It is anticipated that the implementation of this system will begin in the first quarter of 2016/17 with deployment over 12 months.

3. Current Provision of ICT Equipment for use in Paperless Meeting Trials

The ICT equipment used by members to access their papers during meetings covers a variety of device types, operating systems, and software versions. A survey of Corporate Services Policy and Challenge Group Members established that ICT equipment was available and used through two arrangements.

Number of members surveyed:	8	
Provided directly by local authority	2	25%
Provided by local authority allowance	4	50%
No device provided	2	25% (1= device can be requested from LA)

Whilst some Members make use of their ICT equipment for paperless meetings (4), others prefer not to use their own equipment (3) or have no equipment available to them (1).

The Service makes a number of the Fire Service Training Centre laptops available to Members for the paperless trial meetings of the Corporate Services Policy and Challenge Group. However, the availability of these laptops is constrained by the exigencies of service training.

4. Intermediate Provision of ICT Equipment for use in Paperless Meeting Trials.

The variety of devices, operating systems and application versions can prove problematic for Members to consistently access their meeting papers.

The planned deployment of Modern.Gov meeting software over the next twelve months is expected to improve the consistency of access for Members on any ICT platform. However, there is an intermediate requirement to support a better experience for members in their paperless meeting trial. To address this a number of Service corporate ipads will be dedicated for use in paperless meetings replacing the Service Training Laptops. Additionally, we are establishing Local Authority security policies to gain a more consistent experience for users of Local Authority provided laptops.

The survey identified opportunities for the Service to support Members in their familiarity and use of their ICT equipment (whether provided directly or indirectly by their Local Authority). 50% of members indicated they would like to receive a form of training or familiarisation with a blend of group sessions and one to one guidance supported by “How-to” guides and Tips. This is now being planned and will be rolled out alongside the ipads for meetings which is expected by the end of April 2016. In the meantime the Service will arrange one to one sessions to address any immediate needs.

5. <u>Future Arrangements for Paperless Meetings</u>

As the trial of paperless meetings progresses and Modern.Gov is deployed, a further review of requirements will be undertaken to identify any refinement needed to enhance Member’s experience of paperless meetings. This will be done in consultation with the Local Authority Democratic Services to ensure any arrangements remain consistent with their security policies as well as our own.

ALISON ASHWOOD
HEAD OF STRATEGIC SUPPORT

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item No. 13

REPORT AUTHOR: **HEAD OF SAFETY AND STRATEGIC PROJECTS**

SUBJECT: **CORPORATE RISK REGISTER**

For further information on this Report contact: Service Operational Commander Tony Rogers
Head of Safety and Strategic Projects
Tel No: 01234 845163

Background Papers: None

Implications (tick ✓):

LEGAL			FINANCIAL	
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known	✓	CORE BRIEF	
	New		OTHER (please specify)	

Any implications affecting this report are noted at the end of the report.

PURPOSE:
To consider the Service's Corporate Risk Register in relation to Corporate Services.

RECOMMENDATION:
That Members note and approve the review by the Service of the Corporate Risk Register in relation to Corporate Services.

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1. Introduction

1.1 Members have requested a standing item to be placed on the Agenda of the Policy and Challenge Groups for the consideration of risks relating to the remit of each Group. In addition, the Fire and Rescue Authority's (FRA) Audit and Standards Committee receives regular reports on the full Corporate Risk Register.

1.2 An extract of the Corporate Risk Register showing the risks appropriate to the Corporate Services Policy and Challenge Group will be available at the meeting. Explanatory notes regarding the risk ratings applied is appended to this report.

2. Current Revisions

2.1 The register is reviewed on a monthly basis during the Service's Corporate Management Team (CMT) meetings and by CMT members between these meetings if required. A copy of the risks relevant to the Corporate Services Policy and Challenge Group are attached for your information and approval.

2.2 Changes to individual risk ratings in the Corporate Risk Register: None.

2.3 Updates to individual risks in the Corporate Risk Register:

- **CRR05: If we are unable to provide adequate asset management and tracking facilities then we may cause serious injuries to our staff due to a lack of safety testing. We may also incur unnecessary significant costs and be in breach of health and safety legislation:** CRR05 has a number of control measures in place to assist in mitigating the risk to the Service which includes the introduction of a new Asset Tracking system. In developing this control measure further research is being conducted with partner organisations to identify the most suitable solution, and where possible working in collaboration delivering better value for money. Due to the asset tracking system now being considered more broadly and to cover areas such as property, workshops and ICT the new system will be implemented in the new financial year with budget allocation being earmarked from existing resources to cover the purchase.

- **CRR23: The Service IT infrastructure is unable to handle secure e-mails from external partners:** The Service now has access to the Criminal Justice email system allowing secure email communication across partners using the Government Secure intranet (GSi) and has been rolled out to nominated users across the Service. The Service will now move towards the rollout of *Egress* to provide secure email for partners who are not on the GSi email network and is already in use in a number of local authorities.

- **CRR27: If we receive a poor budget settlement from government and the Local Authorities covering both revenue and capital funds and we have an adverse response from our Council Tax Precept consultation processes, then our ability to deliver a full range of services could be significantly affected:** The 2016/17 Budget has now been set and based on current projections, the Transformational Earmarked Reserve will balance the 2020/21 Budget. At present it is forecast that base revenue budget savings/efficiencies of circa £1.3m will need to be delivered over the medium term to balance the on-going budget gap post 2020/21. The offer of the four year settlement, taking the Authority's funding to 2019/20, is yet to be accepted. The Authority awaits further details to be released.

3. <u>Business Continuity</u>

3.1 As part of the Service's Business Continuity (BC) arrangements further BC plans have been developed covering the potential of Functional and Service wide Business Interruptions. These plans build upon existing arrangements forming part of a developing programme of testing ensuring that the Service is best placed to deliver vital services to the communities in the event of a business failure.

SERVICE OPERATIONAL COMMANDER TONY ROGERS
HEAD OF SAFETY AND STRATEGIC PROJECTS

Explanatory tables in regard to the risk impact scores, the risk rating and the risk strategy.

Risk Rating

Risk Rating/Colour	Risk Rating Considerations / Action
Very High	High risks which require urgent management attention and action. Where appropriate, practical and proportionate to do so, new risk controls must be implemented as soon as possible, to reduce the risk rating. New controls aim to: • reduce the likelihood of a disruption • shorten the period of a disruption if it occurs • limit the impact of a disruption if it occurs These risks are monitored by CMT risk owner on a regular basis and reviewed quarterly and annually by CMT.
High	These are high risks which require management attention and action. Where practical and proportionate to do so, new risk controls *should* be implemented to reduce the risk rating as the aim above. These risks are monitored by CMT risk owner on a regular basis and reviewed quarterly and annually by CMT.
Moderate	These are moderate risks. New risk controls should be considered and scoped. Where practical and proportionate, selected controls should be prioritised for implementation. These risks are monitored and reviewed by CMT.
Low	These risks are unlikely to occur and are not significant in their impact. They are managed within CMT management framework and reviewed by CMT.

Risk Strategy

Risk Strategy	Description
Treat	Implement and monitor the effectiveness of new controls to reduce the risk rating. This may involve significant resource to achieve (IT infrastructure for data replication/storage, cross-training of specialist staff, providing standby-premises etc) or may comprise a number of low cost, or cost neutral, mitigating measures which cumulatively reduce the risk rating (a validated Business Continuity plan, documented and regularly rehearsed building evacuation procedures etc)
Tolerate	A risk may be acceptable without any further action being taken depending on the risk appetite of the organisation. Also, while there may clearly be additional new controls which could be implemented to 'treat' a risk, if the cost of treating the risk is greater than the anticipated impact and loss should the risk occur, then it may be decided to tolerate the risk maintaining existing risk controls only
Transfer	It may be possible to transfer the risk to a third party (conventional insurance or service provision (outsourcing)), however it is not possible to transfer the responsibility for the risk which remains with BLFRS
Terminate	In some circumstances it may be appropriate or possible to terminate or remove the risk altogether by changing policy, process, procedure or function

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
7 March 2016
Item No. 14

REPORT AUTHOR: **CHIEF FIRE OFFICER**

SUBJECT: **REVIEW OF WORK PROGRAMME 2015/16**

For further information on this report contact: Karen Daniels
Service Assurance Manager
Tel No: 01234 845013

Background Papers: None

Implications (tick ✓):

LEGAL			FINANCIAL	
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New		CORE BRIEF	

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To review and report on the work programme for 2015/16 and to provide Members with an opportunity to request additional reports for the Corporate Services Policy and Challenge Group meetings for 2016/17.

RECOMMENDATION:

That Members review the work programme for 2015/16 and note the ‘cyclical’ Agenda Items for each meeting in 2016/17.

PAUL M FULLER CBE QFSM
CHIEF FIRE OFFICER

CORPORATE SERVICES POLICY AND CHALLENGE GROUP (CSPCG) PROGRAMME OF WORK 2015/16

Meeting Date	**'Cyclical' Agenda Items**		**Additional/Commissioned Agenda Items**	
	Item	**Notes**	**Item**	**Notes**
17 June 2015	• Election of Vice Chair • Terms of Reference • Minutes of Shared Service IT Governing Body • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2014/15 Year End Report and Programmes to date • Revenue Budget and Capital Programme Monitoring 2015/16 • Treasury Management Annual Report • Asset Management Policy and Plans – ICT, Property and Fleet • Risk Register • Work Programme 2015/16			

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
16 September 2015	• Minutes of Shared Service IT Governing Body • Revenue Budget and Capital Programme Monitoring 2015/16 • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2015/16 Quarter 1 and Programmes to date • 2016/17 Revenue Budget and Capital Programme (Planning Arrangements) • Risk Register • Work Programme 2015/16		'Annual Review of the Operation of ICT Shared Service Agreement' Report Author HSS Utility Usage and procurement	Added July 2015 Added 17 June 2015

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
26 November 2015	• Minutes of Shared Service IT Governing Body • Revenue Budget and Capital Programme Monitoring 2015/16 • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2015/16 Quarter 2 and Programmes to date • Treasury Management Mid Year Review Report • Risk Register • Review of the Fire Authority's Effectiveness • Work Programme 2015/16	Baker Tilly name change to RSM from Oct 2015	Fuel Cards Report Phasing of the Community Safety Budget Report Lease Vehicles ICT Satisfaction Survey	Added 24/09/2015 following AudStd meeting Added 16/09/2015 (Reported to FRA 21.10.15 in Rev Budget and Capital Monitoring Report) Added 16/09/2015 (Reported to Aud StdC 24.10.15 during item on 2014/15 Statement of Accounts) Referred to in Minutes of CSPCG 16 Sept 15

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
7 March 2016	• Minutes of Shared Service IT Governing Body • Revenue Budget and Capital Programme Monitoring 2015/16 • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2015/16 Quarter 3 and Programmes to date • Proposed Corporate Services Indicators and Targets 2016/17 • Treasury Management Strategy and Practices • Corporate Risk Register • Review of Work Programme 2015/16		Utility Usage at Stations Standard ICT Equipment for Running FRA electronic publication of agendas and Minutes	Added CSPCG – 26 Nov 2015 Added by FRA 17 Dec 2015

Recommended Future Items for CSPCG

Options for a future model for ICT Shared Services	Requested atFRA meeting 4 June 2015 and CSPCG 17 June 2015

CORPORATE SERVICES POLICY AND CHALLENGE GROUP (CSPCG) PROGRAMME OF WORK 2016/17

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
9 June 2016	• Election of Vice Chair • Terms of Reference • Minutes of Shared Service IT Governing Body • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2015/16 Year End Report and Programmes to date • Treasury Management Annual Report • Asset Management Policy and Plans – ICT, Property and Fleet • Corporate Risk Register • Work Programme 2016/17 • Review of Use of the Regulation of Investigatory Powers Act (RIPA)		Analysis of comments and free text of ICT Shared Service User Survey (following report of comments to Shared Service IT Governing Body)	Added CSPCG – 26 Nov 2015

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
14 September 2016	• Minutes of Shared Service IT Governing Body • Revenue Budget and Capital Programme Monitoring 2016/17 • 2017/18 Revenue Budget and Capital Programme (Planning Arrangements) • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2016/17 Quarter 1 and Programmes to date • Annual Review of the Operation of ICT Shared Service Agreement' • Corporate Risk Register • Work Programme 2016/17			

Meeting Date	‘Cyclical’ Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
6 December 2016	• Minutes of Shared Service IT Governing Body • Revenue Budget and Capital Programme Monitoring 2016/17 • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2016/17 Quarter 2 and Programmes to date • Treasury Management Mid Year Review Report • Review of the Fire Authority’s Effectiveness • Corporate Risk Register • Work Programme 2016/17			

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
14 March 2017	• Minutes of Shared Service IT Governing Body • Revenue Budget and Capital Programme Monitoring 2016/17 • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2016/17 Quarter 3 and Programmes to date • Proposed Corporate Services Indicators and Targets 2017/18 • Treasury Management Strategy and Practices • Corporate Risk Register • Review of Work Programme 2016/17			