BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Members of Corporate Services Policy and Challenge Group.

Bedford Borough Councillors: M Headley

Central Bedfordshire Councillors: F Chapman, D McVicar and P Duckett

Luton Borough Councillors: Y Waheed

A meeting of **Corporate Services Policy and Challenge Group** will be held at **Conference Room, Fire and Rescue Service Headquarters, Kempston, Bedford MK42 7NR** on **Monday, 12 March 2018** starting at **10.00 am.**

Nicky Upton
Democratic and Regulatory and Services Supervisor

A G E N D A

Item	Subject	Lead	Purpose of Discussion
1.	Apologies		

Item	Subject	Lead	Purpose of Discussion
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 (see note below).
3.	Communications	Chair	Including minutes of recent ICT Board meetings
4.	Minutes	Chair	To confirm the minutes of the meeting held on 29 November 2017 (Pages 1 - 8)
5.	Corporate Services Performance 2017/18 Quarter 3 and programmes to date	ACO	To consider a report (Pages 9 - 26)
6.	Proposed Corporate Services Indicators and Targets for 2018/19	ACO	To consider a report (Pages 27 - 36)
7.	New Internal Audit Report Completed to date	ACO	To consider a report (Pages 37 - 56)
8.	Audit and Governance Action Plan Monitoring Report	ACO	To consider a report (Pages 57 - 68)
9.	Treasury Management Strategy and Practices	HFT	To consider a report (Pages 69 - 166)
10.	Asset Management Strategy for 2018/19	HFT	To consider a report (Pages 167 - 182)
11.	Corporate Risk Register	HOA	To consider a report (Pages 183 - 188)
12.	Review of Work Programme 2017/18	Chair	To consider a report (Pages 189 - 198)

Next Meeting: 10.00 am on 21 June 2018 at Conference Room, Fire and Rescue Service Headquarters, Kempston, Bedford MK42 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.

MINUTES OF CORPORATE SERVICES POLICY AND CHALLENGE GROUP MEETING HELD ON 29 NOVEMBER 2017

Present: Councillors M Headley (Chair), F Chapman (Vice-Chair), D McVicar, P Duckett and Y Waheed

CFO P Fuller, ACO Z Evans, Mr G Chambers and AC D Cook

17-18/CS/030 Apologies

There were no apologies for absence.

17-18/CS/031 Declarations of Disclosable Pecuniary and Other Interests

There were no declarations of interest.

17-18/CS/032 Communications

The Group received the Minutes of the meeting of the ICT Shared Service Governance Board held on 26 September 2017.

ACO Evans advised that a report on the Authority's use of mod.gov would be submitted to the meeting of the full Authority on 14 December 2017.

RESOLVED:
That the Minutes of the ICT Shared Service Governance Board held on 26 September 2017 be received.

17-18/CS/033 Minutes

RESOLVED:
That the Minutes of the meeting held on 13 September 2017 be confirmed and signed as a true record.

17-18/CS/034 Corporate Services Performance 2017/18 Quarter 2 and programmes to date

ACO Evans submitted the Corporate Services programme, projects to date and performance against Corporate Services performance indicators and associated targets for the second quarter of 2017/18.

The Asset Management System project had been postponed due to limited capacity to support the development of the project. The project would be reconsidered in Summer 2018 and would be removed from the programme until that time. The paper based system currently in use was robust and this system would continue until an electronic system was developed and implemented.

The Website Procurement and Development project was rated as green as the development of a new website was being progressed and it was anticipated that the new website would be launched by March 2018.

The Fire Safety Management Information System project was currently reporting as amber due to the limited capacity within the ICT Team.

The Workbench Development – Sickness Absence Application had been completed and would be removed from the programme report. This had streamlined the sickness reporting process.

The Workbench Development – Non-Sickness Absence Application had not yet been completed and was reporting as red as the completion date of September 2017 had been missed. It was expected that this would now be completed by mid-January 2018.

The iTrent/MIS Synchronisation project was reporting as red as the completion date of September 2017 had been missed and would be completed by mid-March 2018.

The Training Centre Administration workstream was reporting as amber and a further update would be provided at the next meeting of the Group.

The HR/Payroll System and Services was reporting as amber although the system has been implemented successfully. The project had been audited by the external auditors and was being rated as amber to enable the high level of monitoring to continue by the project board.

The Retained Recruitment, Telephony Systems Replacement and the Community Defibrillator projects were green.

The Desktop Refresh project was substantially complete with only a small number of complex cases awaiting migration.

ACO Evans then reported on the second quarter performance information. All ICT indicators and all but one workshop indicator had met or exceeded target levels.

WS1a (Grade A defect response time (within 1 hour)) was reporting as amber for the quarter. AC D Cook advised that there had been a technician vacancy and this had affected the rota group. This post had now been successfully recruited to, with the applicant completing the training required to join the rota group. As such, performance against the indicator should improve in future quarters.

FNP5 (percentage of uncontested invoices paid within 30 days) was also reporting as amber, as it had missed its target of 96% by 2%. The processing of invoices had been delayed in certain departments due to changes in staffing, leave and sickness. The Finance Team was liaising with the departments concerned to ensure that performance against this indicator improved.

FNP6 (percentage of debt over 90 days old) had missed its target of 2.55% and was 9.66% at the end of the reporting period. There had been vacancies in the Finance Team during the period and following the successful recruitment to the post, the total debt outstanding as at 30 September 2017 was £37,000, with only £271.20, or 0.73%, over 90 days old.

The Chair suggested that the wording of FNP6 be revisited at the Group's target setting meeting on 13 March 2018 to ensure that debt over 90 days was being measured against the percentage of the total debt that had been raised.

RESOLVED:
1. That the progress made on Corporate Services Programmes and Performance be acknowledged.
2. That the Group consider amending the wording of FNP6 (percentage of debt over 90 days old) at its target setting meeting in March 2018.

17-18/CS/035 Audit and Governance Action Plan Monitoring Report

ACO Evans introduced her report on progress made to date against current action plans arising from internal and external audit reports. No extensions had been requested and all the actions from previous audits had been completed.

All actions arising from the Annual Governance Statement were in progress.

RESOLVED:
That progress made to date against the action plans be acknowledged.

17-18/CS/036 Revenue Budget and Capital Programme Monitoring 2017/18

Mr G Chambers, the Head of Finance and Treasurer, submitted the forecast year-end budget position as at 31 October 2017. The forecast non-salary underspend was £24,500 and the forecast salary underspend was £65,000, resulting in a total forecast underspend of £89,500.

He reported that the underspend may be allocated to replace the earmarked reserves that had been used during the year.

The Head of Finance and Treasurer reported on the variations to the Capital Programme. The first was an additional £80,000 that was required to complete the refurbishment and upgrade of the Smoke House, which would be funded from the property earmarked reserve.

The Group was being asked to approve the addition of £25,000 for an aerial drone to be purchased in conjunction with Bedfordshire Police, funded by the collaboration reserve. The initial capital costs and the ongoing revenue costs would be split proportionally between the two organisations.

AC D Cook advised that the drone specification was currently out to tender. Drone pilot training would be provided through the Fire Services College and would incorporate Civil Aviation Authority guidance and information about the interaction with and no-fly zones around the County's airports.

In response to a question about the planned non-uniform efficiency saving which would not be achieved due to the ongoing necessity for the post, ACO Evans reported that investigations were ongoing to mitigate against this.

RESOLVED:

1. That the forecast outturn for revenue and capital be noted.
2. That the Fire and Rescue Authority be recommended to add an aerial drone to the capital programme, to be purchased in conjunction with Bedfordshire Police.

17-18/CS/037 Treasury Management Mid Year Review Report

Mr G Chambers, the Head of Finance and Treasurer, introduced the Treasury Management Mid-Year review report which provided an update of the Authority's treasury management to 30 September 2017.

The Authority currently had investments with Barclays Bank, Santander, Qatar National Bank and Goldman Sachs. The use of money market funds would be considered for short-term investments.

It was noted that Members had received training from the Authority's treasury management advisors at a Member Development Day on 4 July 2017. The Authority's treasury management advisors were now known as Link Asset Services.

Councillor Duckett suggested that the Authority consider lending to neighbouring local authorities on a short-term basis as it may be mutually beneficial to the authorities involved. Central Bedfordshire Council regularly borrowed funds from its neighbouring local authorities.

It was not clear whether this would be permitted under the Authority's current Treasury Management Strategy and this could be considered at its annual review, with advice being sought from the Authority's treasury management advisors.

Questions were also posed regarding ethical investments and ACO Evans suggested that an equality impact assessment may need to be completed in relation to the Authority's investment activity. A policy statement on the issue of ethical investment could be added to the Strategy when it was next reviewed by the Group.

In response to a question, the Head of Finance and Treasurer confirmed that the figures detailing the Authority's interest rate exposure related to the amount of interest.

The Chair commented that there were now no limits set out for the maturity structure of borrowing and that these may need to be introduced.

The Chair also suggested that the limits for external debt and the operational boundary as set out in the prudential indicators may need to be reviewed as they appeared not to allow the Authority any flexibility.

The Head of Finance and Treasurer advised that he would liaise with Link Asset Services to confirm the accuracy of the interpretation and calculations relating to these limits.

Members agreed that it would be useful to include a session on the prudential indicators during the next training session treasury management.

RESOLVED:

1. That the report be acknowledged.
2. That the following be considered during the next review of the Authority's Treasury Management Strategy:
   (a) lending to neighbouring authorities;
   (b) the development of a policy statement on ethical investment;
   (c) the prudential indicators and the limits for external debt.
3. That training on the prudential indicators be offered to Members as part of the Treasury Management training.

17-18/CS/038 Review of Corporate Services Policy and Challenge Group Effectiveness

The Group considered the following questions relating to its effectiveness during 2017/18:

i. Does the Group/Committee consider that they have been effective and discharged their responsibility in regard to the Group's/Committee's terms of reference?

ii. Considering the Group's/Committee terms of reference are there any areas that have not been considered and should be addressed?

iii. Does the Committee/Group consider any training and development that would assist them with the areas of work of the Group/Committee?

The Group went through its terms of reference and agreed that it was fulfilling the majority of its responsibilities effectively.

During discussion, the Service Efficiency Plan was identified as an area that would benefit from greater Member scrutiny.

It was agreed that the Group should continue to focus on commissioning and overseeing reviews into specified areas of work on a more frequent basis and select items to consider in greater depth.

Members supported the continuation of training on the Statement of Accounts and treasury management and agreed that it would be useful for members to receive training on understanding the Service's assets, including IT, fleet and property. In this respect, it was suggested that Members may benefit from a property tour or greater access to the assets of the Service.

CFO Fuller expressed the view that this could be accommodated during some of the scheduled station visits, particularly in stations where specialist equipment and/or teams were located.

RESOLVED:
That the Minutes of the Group's discussion of its effectiveness be fed into the facilitated meeting to be held on 18 January 2018 to review the Fire Authority's Effectiveness in 2017/18.

17-18/CS/039 ICT Shared Service Agreement Extension

ACO Evans presented a report to advise the Group of the approaching five year end date for the ICT Shared Service Agreement with Cambridgeshire Fire and Rescue Authority and to seek the Group's support for the extension of that agreement. She tabled Schedule 3: the financial arrangements, for Members' information.

She confirmed that each Authority was responsible for its own budgets. Costs were captured as part of the budget monitoring process and were allocated in accordance with usage.

In response to questions, ACO Evans assured the Group that an exit clause (set out in Section 16 of the agreement) remained in the agreement which would allow either Authority to terminate the agreement prior to the end of the five year period.

A review of the structure in the Shared Service was currently being undertaken to ensure that the Service was resourced to adequately address the business change projects and programmes whilst continuing to deliver "business as usual" work requirements.

It was acknowledged that the introduction of the ICT Shared Service had improved performance against the performance indicators and increased customer satisfaction levels. It also enabled each Service to benefit from a greater breadth of ICT skills.

The Chair commented that the section on data protection would need to be updated to comply with the General Data Protection Regulations.

RESOLVED:
That the Authority be recommended to extend the Shared Services agreement between Bedfordshire Fire and Rescue Authority and Cambridgeshire Fire and Rescue Authority for a further period of five years with the same terms as the existing agreement, acknowledging that the agreement would have to be amended to ensure compliance with the General Data Protection Regulations.

17-18/CS/040 Corporate Risk Register

AC D Cook submitted an update on the Corporate Risk Register.

There were no changes to individual risk ratings. There had been updates to the following risks:

CRR29 (If we do not communicate well, both internal and external to the Service, then we will suffer from poor staff morale, miss the opportunity to promote ourselves and the excellent work we do and potentially impact upon our ability to deliver a full range of services): significant progress had been made in relation to the development of the Service's new website. A focus group had been held with the service provider and a “base camp” facility was being introduced to facilitate the exchange of information and the resolution of any issues arising during the course of the project.

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): as reported earlier in the meeting, the current paper-based system was robust. Research into cloud based asset tracking systems would be undertaken in Summer 2018.

CRR04 (If there are a large number of staff absent from the workplace then our ability to deliver services to our communities is severely compromised and our reputation will be adversely affected): all staff were sent an e-voucher for a flu vaccination, although the take-up was not as high as the Service would have hoped and this will be reviewed next year.

RESOLVED:
That the development of the Service’s Corporate Risk Register in relation to Corporate Services be noted and approved.

17-18/CS/041 Review of Work Programme 2017/18

Members considered the Work Programme for 2017/18.

ACO Evans reported that the Asset Management Strategy would be submitted to the Group’s next meeting. The ICT and Fleet Asset Management Plans would be considered at the Group’s meeting in June 2018 with the Property Asset Management Plan submitted in September 2018. This would enable to the Group to consider the individual documents in greater detail.

RESOLVED:
That the Work Programme for 2017/18 be received.

The meeting ended at 11.24 am

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
12 March 2018
Item No. 5

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

SUBJECT: **CORPORATE SERVICES PROGRAMME AND PERFORMANCE 2017/18 - QUARTER THREE (APRIL 2017 TO DECEMBER 2017)**

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.

Agenda Item 5

PURPOSE:

To provide the Corporate Services Policy and Challenge Group with a report for 2017/18 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 3 2017/18 (1 April 2017 to 30 December 2017).

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 2017/18

1.1 Projects contained in this report have been reviewed and endorsed in February 2017 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;
- significant capacity issues have affected the ability for existing projects to 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 2017/18 to 2020/21 has been taken within the proposed 2017/18 Budget and Medium-Term Financial Plan, as presented to the Authority for agreement in February 2017.

1.4 Changes in the Business Systems and Process Improvement Programmes are summarised as follows:

- The **Asset Management System (Tracking) Project** will be re-instated in summer 2018 following further market research into Cloud-based systems;
- The **Community Safety (Safe & Well Application) Project** is back to Green, as the Referrals application is now in trial and due for Service-wide deployment prior to year-end;
- Work on the **Sickness Absence Notification Application** is now complete, and this is now Business as Usual;
- The **VDI Project** is now recommended for closure, as remaining users not yet migrated will be managed through the **VDI Upgrade Project;**
- **The VDI Upgrade Project** is now starting.

1.5 Exception reports relating to the Service's Strategic Projects are shown at paragraph 2.

1.6 Other points of note include the following:

- The Corporate Management Team monitors progress of the Strategic Projects monthly. The Strategic Programme Board will now be reviewing the Programme quarterly, with the next Programme Board review scheduled for 06 March 2018.

1.7 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. Programme Summary and Exception Reports

2.1 **Non-sickness absence synchronisation** is Red, as the revised completion date has slipped from mid-March to early April, as People/Position synchronisation has to be completed first. This was delayed due to a requirement for our supplier Sophtlogic to develop additional integration code on the API.

2.2 The status of the **Workbench non-sickness absence** remains on Red due to the complexity of the integrations, the lack of capacity in the BI team, and further issues arising in the last period; movement of source code to a local server and retesting, and an amendment to the data fields in iTrent needed to pick up data from Pharos have caused a further delay of 13 working days.

2.3 The **People/Person synchronisation remains Red** due to missing the original delivery date – this is now revised to mid-March.

2.4 The **Training Centre Administration** remains Amber due to members of the CFRS STEP team leaving. The trial scheduled for November 2017 did not take place. Training Centre are working with the Business Information Team to consider other options.

2.5 The status of the **HR & Payroll Project** remains Amber due to the previous project costs over-run (this cannot be ameliorated). This is also reported separately under the HR Policy and Challenge Group.

2.6 The **Telephony System Replacement (Unified Comms) Project** status has slipped to Amber, as the Skype for Business platform has failed initial acceptance tests. Work is underway with the supplier to rectify, and it is hoped that overall timescales for delivery are still achievable.

2.7 The **Protection Replacement Management Information System** has slipped from Green to Amber due to competing priorities for ICT resources.

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 for the Quarter Three 2017/18 which covers the period April 2017 to March 2018. Performance is shown in Appendix B. The indicators and targets included within the report are those established as part of the Authority's 2017/18 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. Summary and Exception Reports

All performance indicators are on target with the exception of:

4.1 **FNP5 - Percentage of Uncontested Invoices Paid Within 30 days** - The Finance Team have been liaising with departments in order to resolve continuing issues with late authorisation of invoices and raising of orders. This has led to an improved rate over the last 3 months averaging 96%, however due to historic issues the target continues to be missed when looking across the whole year. The average % target for the last 3 months has been 96% and this is forecast to continue to the end of the financial year.

4.2 **FNP6 Percentage of Outstanding Debt Over 90 Days Old -** The cumulative Q3 target has been missed however the average debt figure has reduced further to an average debt of 6.94% across the first 3 quarters of the year due to issues at the start of the financial year due to staff changes which have now been resolved. In Q3 the figure for outstanding debt over 90 days was only 1.49% (Debtor balance of £ 69,573.87 with over debtors 90 days being only £1,038.80). There has been a change to the presentation of this PI from previous quarters to more closely show the actual performance against the target.

4.3 **WS1a Grade A Defect Response Time & (within 1 hour)**

As previously reported this measure slipped into amber in quarter 1 due to a workshop staffing deficiency. Although that deficiency has now been resolved and we are meeting the target on week by week basis it is unlikely that the measure will move back into the green this financial year.

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

CORPORATE SERVICES PROGRAMME REPORT

Project Description	Aims	Performance Status	Comments
Business Systems Improvement	Optimise the use of existing business systems and replace where appropriate.	**Deferred**	**12 February 2018: Asset Tracking System** The project is currently deferred, pending further market research, which is on-going. There has been significant progress in development of cloud based systems since the original inception of this project. A site visit to Durham and Darlington Fire and Rescue Service in February 2018 to view their Blue Light Asset Management system in operation proved to be of considerable value. Substantial savings are possible with a cloud-based system and ongoing annual maintenance costs could be significantly reduced compared with previously quoted figures for hardware based solutions. Further work is underway on technical specifications drawing from the knowledge and experience of Darlington and Durham. A formal Paper will be presented at CMT in June 2018.
		Green	**01 March 2018: Website Procurement and Development** The project status is Green, as the timeline has been re-baselined. The Scoping Document for the project was agreed before Christmas and this included the key navigation concept and key templates. Wire Frames for these key pages have now been designed and agreed. Design concepts for these template webpages have now been completed. Additional time was required to ensure these were completed and the launch of the website will now take place in April 2018. All the text for the whole website has been redrafted and signed off by those responsible for the website's content. Ownership of each page is currently being assigned and an image and icon library is being established. Arrangements are underway to re-launch the website as www.bedsfire.gov.uk bringing it into line with every other Fire and Rescue Service in the country. However links through from

Business Systems Improvement Cont….	Optimise the use of existing business systems and replace where appropriate.		bedsfire.com will be created to ensure visitors are easily diverted to the new website. Emails will not be affected as we already have access to @beds.gov.uk addresses and those to @bedsfire.com can be redirected easily. Work with the iTrent project is underway to ensure its user interface is visually similar to the new website.
		Amber	**19 February 2018: Protection Replacement Management Information System** The status of the project remains Amber. The training of administrators and super users has now been completed. Training of all users is now programmed for completion before April 2018. The underlying delay to the project was due to competing priorities for ICT resources. UPRN information needs to be merged from the old MiS system before full go live can be achieved. This piece of work has been arranged with Sophtlogic and it is anticipated this will be completed by 14 March 2018.
		Green	**19 February 2018: Prevention Replacement Management Information System (Safe & Well Application)** This project status is Green. The Safe and Well project has two elements – Exeter and Referrals. Exeter visits are completed by the Prevention team and are targeted visits based on a risk score. Referrals are visits that have been requested by other agencies and completed by Operational personnel in addition to the Prevention team. The software to manage Exeter visits has been live since February 2017 however further development was required in order to manage referrals and replace the existing HFSC database. Phase One of the Safe and Well Referrals application is complete and currently in trial at Stopsley Station. Pending review this is due for deployment Service-wide Mid-March.

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	**12 February 2018: Sickness Absence Notification Application** The status of the Sickness Notification application remains Green and all development work is complete. The app has been live now for all staff for over three months and has processed over 195 sickness instances with no issues. Recommend that this project is now closed.
		Red	**12 February 2018: Non-Sickness Absence Synchronisation** The status of this project remains Red as the original delivery date of September 2017 has been missed due to complexity of the integration and lack of capacity in the BI Team. The expected delivery date was revised to mid-March, however following issues have resulted in further delay: • Devon and Somerset FRS requesting that the link to a server shared between the two Services be closed due the closure of the STEP project. This required a movement of our source code to a local server and re-testing of all applications. This caused a delay of 7 days. • Pharos rota book requires data not captured as standard by iTrent, therefore a workaround was put in place to store this data in an unused field in iTrent. The development of the iTrent Recruitment module has highlighted the need to now use this field, therefore it is no longer appropriate to use it to store Pharos rota book data. An alternative location has been identified which has the added benefit of simplifying the process for HR and reducing risk of error when entering data. To amend the sync app to use this new location to pick up the data will cause a delay of 6 days. Current expected delivery date for non-sickness absence sync is 4th April.

Project Description	Aims	Performance Status	Comments
Business Process Improvement, cont…	Optimise ways of working, re-engineering and automating where possible and providing integration between business systems.	Red	**12 February 2018: People / Person Synchronisation** The status of this project remains Red as the original delivery date of September 2017 has been missed due to complexity of the integration and lack of capacity in the Business Information Team. Expected delivery date was revised to mid-March and development remains on track for completion on 14th March.
		Green	**12 February 2018: Community Safety (Safe and Well Application)** This project is status Green. The Safe and Well project has two elements – Exeter and Referrals. Exeter visits are completed by the Prevention team and are targeted visits based on a risk score. Referrals are visits that have been requested by other agencies and completed by Operational personnel in addition to the Prevention team. The software to manage Exeter visits has been live since February 2017 however further development was required in order to manage referrals and replace the existing HFSC database. Phase One of the Safe and Well Referrals application is complete and currently in trial at Stopsley Station. Pending review this is due for deployment Service-wide Mid-March.

Project Description	Aims	Performance Status	Comments
HR/Payroll System and Services	Implement a new HR/ Payroll Business system and associated payroll services to support and optimise HR and Payroll activities across the Service.	Amber	**12 February 2018:** The current status of this project is Amber due to previous cost overruns which cannot be ameliorated. Work to draw the HR & Payroll Project Phase 1 to a close continues; various tasks have been transferred into business as usual, and of the work outstanding, only 3 “high priority” tasks remain but these are quite substantial pieces of work: • Completion of the non-sickness absence reporting process and the People/Positions synchronisation process between MIS and iTrent are due to deliver in the first week of April. This is one week later than originally anticipated owing to the developer needing to complete some long standing additional work on data fields that affects ‘go live’ of the recruitment module. The new time frame is subject to developer resources not being redeployed to other urgent tasks. • A way forward has been found to resolve the issue with correcting pay calculations associated with working patterns, and an options paper and recommendation has been forwarded to the Project Board for consideration. This will require an additional day of consultancy not currently budgeted for. Phase 2 work is going well; the Recruitment module has been through Operational Acceptance Testing with HR, and is now going into the User Acceptance Testing phase, and a number of Service users have been asked to test the online application process. The launch of online recruitment is dependent on, and being synchronised to the launch of the new Service website in early April. The look and feel of the web recruitment page will be consistent with the Service website. A Scoping Meeting is scheduled with MHR in late February for the Time and Expenses module. In the meantime, “as is” processes have been agreed, and “to be” process requirements have been captured. A visit is arranged with Bucks FRS on 14 Feb. to benefit from their experience of implementing this module.

Project Description	Aims	Performance Status	Comments
HR/Payroll System and Services, Cont…			A formal review meeting took place on 04 January 2018, and MHR has supplied BFRS with a new account manager. The mandatory upgrade of iTrent to the latest version has also been completed in January, so that it is compliant with new legislation coming into force in April. Most invoice discrepancies have been cleared; the project remains within budget and all invoices are under close scrutiny to ensure there are no cost over-runs.
Telephony System Replacement (Unified Comms)	Replace existing business Telephony system, to a network (VOIP) system. This excludes Control Room Comms (ICCS and Mobs).	**Amber**	**6th Feb 2018:** This project has slipped to Amber. Project progress has been delayed and the Skype for Business platform has failed initial acceptance tests. We are working with the supplier to resolve the issues. The Training Centre and ICT pilots will commence as soon as the platform issues have been resolved. Stage 3 of the project (Installation and testing) will not complete on time, however overall project timescales may still be achievable.

Project Description	Aims	Performance Status	Comments
Community Defibrillators	Sponsor and deliver community located defibrillators.	Green	**19 February 2018:** The project status is Green. The original scope of the project is now complete with a large number of units delivered across the County. The agreed support and maintenance by BFRS has been fully delivered and this project has now transitioned to Business As Usual (BaU). Pads are upgraded every 2 years and batteries every 4, and any consumables as they are used. The batteries were replaced in 2017, and some pads are due to be replaced in 18 months' time, with 12 months left on BFRS obligation for consumables. Units due for replacement after 7 years will be handled through BaU. Some defibrillators in the County were supplied in partnership with Central Beds and Luton, or were match funded, but there is no obligation to maintain them. A project closure report will be delivered to the Programme Board
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.	Amber	**6th Feb 2018:** The project remains on Amber as some users cannot be migrated on the current system for various reasons. All users who will benefit from migration to VDI have now been migrated over. A small percentage of users have been identified, for whom VDI migration would provide no benefit and could limit their ability to carry out their role as effectively as they can on current systems. The VDI project is therefore due to close down. As part of the planned VDI upgrade we will revisit the solutions in place for non-migrated staff with the intention of migrating them to a common platform which is suitable for all users. A Project Closure and Benefits handover report will be submitted to the Programme Board. Recommendation to close the Project.

Project Description	Aims	Performance Status	Comments
VDI Upgrade Project	To upgrade the current VDI-in-a-box to a newer Citrix VDI product. To address configuration issues with the current setup and to move all service staff onto a common platform.	Green	**6th Feb 2018:** The project status is Green. Procurement for an upgrade to our VDI infrastructure is underway. We expect to have awarded a contract for this work by the beginning of April.

APPENDIX B

SUMMARY OF CORPORATE SERVICES PERFORMANCE 2017/18 QUARTER THREE

Information and Communications Technology									
Measure				2017-18 Quarter 3					
No.	**Description**	**Aim**	**Full Year Target**	**Five Year Average**	**Q3 2016-17**	**Q3 Actual**	**Q3 Target**	**Performance against Target**	**Comments**
IM1	**The Number of Incidents on Mission Critical services resolved within 1 Hour**	Higher is Better	80%	96.22%	88.67%	100.00%	80%	Green	25% better than target
IM2	**The Number of Incidents on Business Critical services resolved within 2 Hours**	Higher is Better	96%	96.31%	100.00%	100.00%	96%	Green	4% better than target
IM3	**The Number of Incidents on Business Operational services resolved within 4 Hours**	Higher is Better	90%	96.38%	100.00%	100.00%	90%	Green	11% better than target
IM4	**The Number of Incidents on Administration Services resolved within 8 Hour**	Higher is Better	90%	90.21%	92.17%	92.67%	90%	Green	3% better than target
AV1	**Core ICT services availability**	Higher is Better	97%	98.44%	100.00%	100.00%	97%	Green	3% better than target
AV2	**Business Applications Availability**	Higher is Better	97%	99.69%	99.64%	99.88%	97%	Green	3% better than target

Notes:

1. ***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.***

SUMMARY OF WORKSHOPS FLEET PERFORMANCE 2017/18 QUARTER THREE APPENDIX B

Fleet & Workshops									
Measure				2017-18 Quarter 3					
No.	Description	Aim	Full Year Target	Five Year Average	Q3 2016-17	Q3 Actual	Q3 Target	Performance against Target	Comments
WS1a	Grade A Defect Response Time (within 1 hour)	Higher is Better	90%	95%	97%	87%	90%	Amber	Missed target by 3%
WS1b	Grade A Defect Response Time (within 2 hours)	Higher is Better	95%	99%	100%	95%	95%	Green	Met 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%	2.43%	2.27%	2.55%	5%	Green	49% 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%	2.99%	2.33%	2.91%	5%	Green	52% 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%	0.52%	0.37%	0.33%	3%	Green	89% 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%	0.83%	0.92%	0.81%	2%	Green	60% 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.	Lower is Better	93%	97.53%	97.61%	97.62%	93%	Green	5% better than target
WS6	Annual Services undertaken	Higher is Better	97%	100%	100%	100%	97%	Green	3% better than target

SUMMARY OF CORPORATE SERVICES PERFORMANCE 2017/18 QUARTER THREE

Finance									
Measure				2017-18 Quarter 3					
No.	Description	Aim	Full Year Target	Five Year Average	Q3 2016-17	Q3 Actual	Q3 Target	Performance against Target	Comments
FNP3	% of Routine Financial Reports Distributed Within 6 Working Days of Period end closure	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%	96%	96%	95%	96%	Amber	Missed Target by 1%
FNP6	Percentage of Outstanding Debt Over 90 Days Old	Lower is Better	2.5%	1.18%	3.99%	5.03%	2.5%	Red	Missed Target

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
12 March 2018
Item No. 6

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

SUBJECT: **PROPOSED CORPORATE SERVICES INDICATORS AND TARGETS FOR 2018/19**

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.

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Agenda Item 6

PURPOSE:

To advise the Corporate Services Policy and Challenge Group of the proposed suite of Corporate Services performance indicators and associated targets for 2018/19 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 2018/19 and endorse or require adjustment as appropriate.

---

1. Introduction

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 2018.

1.2 This report advises the Corporate Services Policy and Challenge Group of the proposed measures and targets for 2018/19 which are contained in Appendix A.

1.3 The targets have been set taking account of Service plans, projects and budgetary allocations for 2018/19. 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** - Performance in the ICT Shared Service has shown a steady improvement as practices and controls were introduced, generally achieving or exceeding performance targets across the range of ICT indicators over the last three years. In 2017/18 there was increased pressure to maintain the performance that had been established in previous years due to staff shortages. However the Virtual Desktop Infrastructure that has been rolled out helped to maintain good levels of support through the ability to resolve incidents remotely as part of a standardised environment.

For 2018/19 we are maintaining targets taking in to account the severity of each incident, these are aligned to ICT systems delivering an efficient service ensuring the Service's primary objectives can be met effectively. This approach continues to build upon the foundations that have been laid, in preparation for structural changes planned in the ICT organisation which aims to stabilise resources and improve performance in the area of project delivery and business change through introducing new technologies as part of the Medium Term Capital Programme.

2.2 **Property** - The property performance indicators for 2018/19 will be based on using historical and 2017/18 actual usage data per station for water, electricity and gas. These indicators are not included within this report as they will be reported to CSP&CG in June 2018 after the year end when all of the data is available.

2.3 **Finance**

2.3.1 FNP2 Accuracy of net budget forecast outturn has now been sub divided into two separate measures which are reported at different times during the year but both shown at year end this will add clarity.

2.3.2 For measure FNP 6 Percentage of outstanding debt over 90 days old, this has been revised to show the outstanding debt over 90 days old at the end of each quarter, from the total debt raised in that quarter.

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

FINANCE							
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2017/18**	**BFRS Target 2018/19**	**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	2011/12 £47.29 2012/13 £44.33 2013/14 £45.45 2014/15 £45.43 2015/16 £44.82 2016/17 £45.01 2017/18 £44.76	N/A	N/A	The indicator is based on our budget requirement divided into our projected population (based on DCLG forecast population).
FNP2a	Accuracy of net budget forecast outturn at periods 6 (Sep) against actual outturn - variance between forecast and actual outturn	Value for Money Indicator P13	Annually Q3	2011/12 £185k 2012/13 £560k 2013/14 £22k 2014/15 £89k 2015/16 £261k 2016/17 £192k	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. Target was met in previous year's outturn, compared to estimates at prior periods.
FNP2b	Accuracy of net budget forecast outturn at period 9 (Dec) against actual outturn - variance between forecast and actual outturn	Value for Money Indicator P13	Annually Q4	2011/12 £42k 2012/13 £351k 2013/14 £70k 2014/15 £7k 2015/16 £76k 2016/17 £192k	Less than £600,000	Less than £600,000	
FNP3	Percentage of routine financial reports distributed within 6 working days of period-end closure	Value for Money Indicator P12	Quarterly	2011/12 100% 2012/13 91.67% 2013/14 100% 2014/15 100% 2015/16 100% 2016/17 100%	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 Cont.							
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2017/18**	**BFRS Target 2018/19**	**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	Annually End September Post External Audit	2011/12 100% 2012/13 100% 2013/14 100% 2014/15 100% 2015/16 100% 2016/17 100%	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	2011/12 93% 2012/13 94% 2013/14 96% 2014/15 96% 2015/16 96% 2016/17 96%	96%	96%	Target decreased from 97% to 96% in 2017/18 as 97% is currently unlikely to be achieved
FNP6	Percentage of outstanding debt over 90 days old (at the end of each quarter, based on total debt raised in the quarter)	Value for Money Indicator S18	Quarterly	2011/12 6.47% 2012/13 0.94% 2013/14 1.22% 2014/15 0.79% 2015/16 1.54% 2016/17 5.43%	Less than 2.5%	Less than 2.5%	Target was increased in 2017/18 to take into account the effect of the increase in Special Services invoices.
FNP7	Percentage of annual planned efficiency savings achieved by year end	Local	Annually	2011/12 100% 2012/13 100% 2013/14 100% 2014/15 100% 2015/16 100% 2016/17 92%	100%	100%	Aim to achieve total of budgeted efficiency target within 2018/19.100% or more achieved since 09/10
FNP8	Return on investment	Actual interest rate achieved	Annually	2013/14 1.36% 2014/15 0.93% 2015/16 0.84% 2016/17 0.86%	0.70%	0.70%	Decrease in target due to Bank of England base rate being 0.25% and the uncertainty due to Brexit and the strength of the GBP£.

INFORMATION AND COMMUNICATION TECHNOLOGY							
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2017/18**	**BFRS Target 2018/19**	**Target Setting Rationale**
ICT1	User Satisfaction		Annual	2014 60.73% 2015 67.5% 2016 89%.	70%	70%	Performance has been showing steady improvement from inception of ICT Shared Service to Target being achieved in 2016. As this is the first time this target has been achieved and not established over time it is proposed to maintain at the same level.
IM1	The Number of Incidents on Mission Critical services resolved within 1 Hour	Joint Catalogue of Services	Quarterly	2014/15 100% 2015/16 100% 2016/17 92%	80%	80%	Target based on Services SLA. Resources are diverted from other incidents and work to deal with Mission Critical Services incidents. Due to the low number of incidents raised within this category failure to meet the target for just 1 incident would mean failure to achieve the overall target of 80%. For this reason it is proposed to leave at 80%.
IM2	The Number of Incidents on Business Critical services resolved within 2 Hours	Joint Catalogue of Services	Quarterly	2014/15 92% 2015/16 100% 2016/17 99%	96%	96%	Performance has exceeded target 2015/16 with lower performance in 2016/17 but still exceeding Target. For this reason it is proposed to maintain the existing Target acknowledging resources may be diverted to Mission Critical Incidents. The small number of incidents of this type makes the impact of a single incident on performance significant.

INFORMATION AND COMMUNICATION TECHNOLOGY Cont.							
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2017/18**	**BFRS Target 2018/19**	**Target Setting Rationale**
IM3	The Number of Incidents on Business Operational services resolved within 4 Hours	Joint Catalogue of Services	Quarterly	2014/15 92% 2015/16 100% 2016/17 100%	90%	90%	Target based on Services SLA. The 2018/19 target acknowledges 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. Therefore proposed to be retained at 90%.
IM4	The Number of Incidents on Administration Services resolved within 8 Hour	Joint Catalogue of Services	Quarterly	2014/15 88% 2015/16 94% 2016/17 93%	90%	90%	Target based on Services SLA. The highest proportion of incidents fall into this category. The anticipated draw on resources to support priority projects throughout 2018/19 is expected to reflect in the performance outcome for these lower category incidents therefore recommended to maintain 90% target.
AV1	Core ICT services availability	Joint Catalogue of Services	Quarterly	2014/15 97% 2015/16 100% 2016/17 100%	97%	97%	Target meets the agreement for levels of Service from ICT Catalogue of Services. It is proposed to maintain the Target at 97% which has been met for the last two years.
AV2	Business Applications Availability	Joint Catalogue of Services	Quarterly	2014/15 97% 2015/16 100% 2016/17 100%	97%	97%	Target meets the agreement for levels of Service from ICT. Catalogue of Services. It is proposed to maintain the Target at 97% which has been met for the last two years.

FLEET & WORKSHOPS

Ref	Performance Indicator	Frequency of Reporting	BFRS Baseline Performance	BFRS Target 2017/18	BFRS Target 2018/19	Target Setting Rationale
WS1a	Grade A Defect Response Time (within 1 hour)	Quarterly	2014/15 93% 2015/16 91% 2016/17 95%	90%	90%	Targets to remain the same as last year
WS1b	Grade A Defect Response Time (within 2 hours)	Quarterly	2014/15 97% 2015/16 97% 2016/17 99%	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% 2015/16 2.47% 2016/17 2.29%	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% 2015/16 3% 2016/17 3.06%	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% 2015/16 0.51% 2016/17 0.37%	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% 2015/16 1.05% 2016/17 0.86%	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% 2015/16 98% 2016/17 98%	93%	93%	
WS6	Annual Services undertaken	Quarterly	2014/15 100% 2015/16 100% 2016/17 100%	97%	97%	

PROPERTY						
Ref	**Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2017/18**	**BFRS Target 2018/19**	**Target Setting Rationale**
Pr01	Total Electricity Consumption	Annual	2014/15 1252339 (KWh) 2015/16 1153735 (KWh) 2016-17 1113167 (KWh)	1146500	TBA	Targets to be advised at June P&C Group meeting
Pr02	Total Gas Consumption	Annual	2014/15 242881 (KWh) 2015/16 209250 (KWh) 2016-17 161772 (KWh)	192850	TBA	
Pr03	Total Water Consumption	Annual	2014/15 6314 (M^3) 2015/16 7940 (M^3) 2016-17 7235 (M^3)	7940	TBA	

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
12 March 2018
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: RSM Strategy for Internal Audit
Bedfordshire Fire Authority 2017/18 to 2019/20

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. Background

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. Internal Audit Reports

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

- Key Financial Controls (completed on 6 November 2017; report finalised on 23 January 2018 (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 2018 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 & RESCUE AUTHORITY

Key Financial Controls

FINAL

Internal audit report: 3.17/18

23 January 2018

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Debrief held	6 November 2017	**Internal audit team**	Daniel Harris - Head of Internal Audit Suzanne Rowlett - Senior Manager Amir Kapasi – Assistant Manager Satnam Parmar – Senior Auditor Jordan Williamson - Internal Auditor
Draft report issued	16 November 2017		
Responses received	23 January 2018		
Final report issued	23 January 2018	**Client sponsor**	Gavin Chambers - Head of Finance and Treasurer Jeremy Harrison - Chief Accountant
		Distribution	Gavin Chambers, Head of Finance and Treasurer Jeremy Harrison, Chief Accountant

1 EXECUTIVE SUMMARY

1.1 Background

The Bedfordshire Fire and Rescue Service Finance Team is headed by the Head of Finance with the support of the Chief Accountant, two Principal Officers and a team of Finance staff.

Financial transactions are recorded through the Great Plains finance system which has the capability of covering all area of finance within the organisation.

Our review focussed on the key financial controls within the following areas:

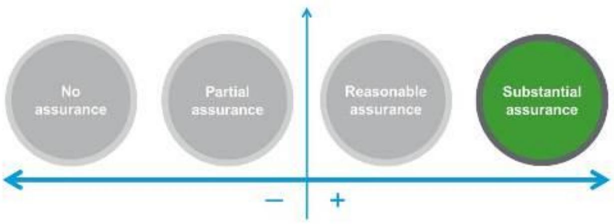
- General Ledger;
- Payments and Creditors (Accounts Payable);
- Income and Debtors (Accounts Receivable);
- Cash and Treasury Management;
- Assets.

Financial Regulations and Financial Control Standards govern the daily operations of Bedfordshire Fire and Rescue Service.

1.2 Conclusion

Overall our review identified that there was a robust and effective control framework in place at Bedfordshire Fire and Rescue Service in relation to the areas noted above.

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 the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

General Ledger

- An authorised signatory list is in place, specifying financial limits. Testing of a sample of five amendments and five established individuals within the service confirmed that limits were set appropriately in line with roles within the organisation. The Service uses Great Plains for their Finance system and testing of ten members of staff found that access to the ledger is sufficiently restricted.
- Journals are processed using a segregation of duties, between the requester, authorisation and inputting. We confirmed this for a sample of ten journals.

- Back-ups are conducted daily to servers hosted by Cambridgeshire Fire and Rescue Service, and testing for a sample of 26 separate days from December 2016 to October 2017 confirmed that the process was operating effectively.
- To maintain an efficient process, the Finance Team use a month-end timetable, primarily as a guide to the tasks to be completed prior to closing the ledger. Monthly, reconciliations are undertaken of the control accounts with Great Plains to ensure the integrity of information held, and the process was confirmed through testing a sample of 10 control accounts over June, July and August 2017
- We selected a sample of 10 Great Plains users and confirmed that each user had been set up appropriately, and the access given was appropriate to their role.

Payments and Creditors

- A robust process is in place for the addition of new suppliers, with testing of a sample of 10 new suppliers confirming that forms are completed and evidence documented to demonstrate checks undertaken to confirm the new supplier prior to being set up.
- The organisation was following the quotation rules in place below the tender level of £50,000, this was confirmed through sample testing of 10 invoices paid.
- We found that payment runs are conducted once a week, being signed off by the Chief Accountant / Head of Finance prior to payment being made and any invoices over £50,000 will be accompanied by a copy of the invoice as supporting documentation. We selected a sample of three separate weeks, covering the period from August to October 2017 and confirmed that each payment run sampled had an appropriate segregation of duties and were accurately processed. We also confirmed that for two of the three weeks sampled, payments were made over £50,000 and we confirmed that a copy of the relevant invoices were provided to support the reasons for payment and had been authorised.
- An effective segregation of duties was found to be in place between the ordering, receipting and payment for goods and services and the authorisation of weekly payment runs. We confirmed through a review of 10 orders through to invoices.
- Furthermore, we confirmed through our testing of 10 invoices that the authority is paying invoices within 30 days of receipt.

Income and Debtors

- We confirmed that effective monitoring was undertaken of debtors within the Finance team. At the time of audit, the total level of debtors stood at £37,411, with the majority of debtors being made up of three invoices for one debtor, the Home Office Shared Service Centre, which we were informed was for required reimbursements.
- From a sample of eight aged debts, we confirmed they were being chased in line with the debt management process outlined within the Financial Regulations. For the current financial year, no debts have been write off.

Cash and Treasury Management

- Cash flow forecasts are prepared daily, using data received from income and payment accounts. Bank statements are used to input this information. The cashflow forecasts are reconciled by the Finance Officer, checked and agreed by another member of the Finance Office and approved by the Chief Accountant.
- Our testing of three investments confirmed that robust controls exist to ensure a segregation of duties and consideration for economic factors to ensure that the investments are feasible and we confirmed that they were in line with policy as each of the investments had investment forms documenting the reasons for the investment approved by the Head of Finance, and we confirmed that the investments were made through approved lenders.

- We confirmed that the Authority has not taken any loans since 2012, with the total outstanding balance brought forward from 2016/17 into 2017/18 totalling £9,987,700 across two loans, due to be repaid in 2056 and 2058 respectively. We understand there are no covenants associated with these loans.

Assets

- There is an 'Assets Working Papers' spreadsheet which provides a summary of the Authority's assets like property and plant and equipment. This includes their Net Book Value and is updates on an annual basis.
- Access to the asset register is password protected and limited to the Chief Accountant, the Head of Finance and the two Principal Finance Officers. As there have been no changes since this was last reviewed by External Audit, we have not tested further in this area.
- The service uses straight line depreciation for assets, and on an annual basis, reconcile the ledger to the asset register.
- The asset verification process is decentralised to workshops and technical teams and assurance is provided based on sample testing by external audit. The assets which would need to be verified via this process are spread across a number of sites and areas. The majority of assets are critical to the day to day running of a station / department and if they were missing it would soon come to light. The assets in question go through a verification process each year end via external audit and therefore it is the Chief Accountants view that because of these two reasons it is not necessary to carry out further check. Any vehicles or high value items that are disposed of or replaced are done so with agreement by way of agreement delegated by the Fire authority to the Chief Fire Officer.

However, in addition to the above well designed and consistently applied controls, we have identified issues which have resulted in the agreement of three **low** category actions which are detailed below.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
General	0	(3)	1	(3)	1	0	0
General Ledger	0	(4)	0	(4)	0	0	0
Payments and Creditors (Accounts Payable, AP)	0	(6)	1	(6)	1	0	0
Income and Debtors (Accounts Receivable, AR)	0	(3)	1	(3)	1	0	0
Cash and Treasury Management	0	(3)	0	(3)	0	0	0
Assets	0	(6)	0	(6)	0	0	0
Total					**3**	**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	Low	Medium	High
Number of actions agreed during previous audit	3	1	0
Number of actions implemented/ superseded	3	1	0
Actions not yet fully implemented:	0	0	0

As part of this review the Bedfordshire Fire & Rescue Authority has demonstrated ‘good’ progress in implementing agreed actions made within the Key Financial Controls 2016/17 audit report. Of the 1 “medium” and 3 “low” priority agreed management actions followed up, we confirmed that four have been implemented in full.

2 DETAILED FINDINGS

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 regulatory scrutiny/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 lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

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	Action for management	Implementation date	Responsible owner
Area: General								
1	The organisation has a set of Financial Regulations, which are available to all stakeholders including the public and staff via the public facing website. Complementing the Financial Regulations is the Procurement Policy, which outlines the tendering procedures and values for which quotes should be obtained prior to	Yes	No	We obtained the 2017 Financial Regulations and procurement policy and confirmed that it is up to date. This is supported by the Audit and Standards Committee minutes review, stating the latest review of the Financial Regulations had taken place in March 2017. Through discussions with the Head of Procurement, we were informed that the most up-to-date Financial Regulations and procurement policy were readily available to staff on the internet website. This was confirmed by the date stamp, dated 2017, within both the procurement and financial policy documents. The most recent procurement policy included an outline of the	Low	Management will ensure that the most recent Financial Regulations and procurement policy are readily available to stakeholders viewing the public website.	31st January 2018	Chief Accountant

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	purchasing goods and services.			tendering procedures and values for which quotes should be obtained prior to purchasing goods and services. However, we have noted that on the Bedfordshire Fire and Rescue Service public website the most recent regulations were: • The 2015 Financial Regulations; and • The 2016 Procurement Policies. There is a risk of a lack of transparency if stakeholders including staff are unable to access the most recent regulations and policies. Whilst we appreciate there are only minor differences between the two documents, stakeholders may be unaware of the current policies and procedures if out of date documents are held on the website.				
Area: Payments and Creditors (Accounts Payable, AP)								
2	Amendments to suppliers are undertaken using Creditor Cards Changes forms. The forms will be completed and sent to Finance, who will action the amendment following the verification checks undertaken to ensure correct changes are being	Yes	No	From a sample of 10 supplier amendments, for eight of the ten we found: • A form was completed for each sample requested; • Clear segregation of duties was demonstrated; • Supporting documentation was provided to confirm the request for amendment;	Low	Management will ensure independent checks are embedded in all supplier amendments to achieve consistency across all changes.	31st January 2018	Chief Accountant

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	made. Validation checks will include: • Contacting the supplier using existing details on Great Plains. • Use of the internet.			• Sufficient independent checks had been carried out to confirm the legitimacy of the amendments; and • Justifications were provided if independent checks were not carried out. However, in the remaining two instances: • One amendment had not been subject to independent checks or justified as to why the independent checks hadn't taken place after being raised by the Property Assistant; and • One amendment had not been subject to independent checks or justified as to why the independent checks hadn't taken place due to a remittance address change. We have also noted that independent checks vary depending on the type of amendment taking place. This lack of consistency presents a potentially heightened risk of fraudulent activity taking place which may lead to financial losses over time.				
Area: Income and Debtors (Accounts Receivable, AR)								
3	For invoices to be raised, a sales invoice requisition must be completed and authorised prior to an invoice being raised. For some sales, the use of requisition is not required	Yes	No	We reviewed a sample of 10 invoices raised within the current financial year and found the following: • All invoices were undertaken in a timely manner demonstrating clear segregation of duties;	Low	Management will ensure all sales requisition raised dates are fully completed and authorised by the requesting manger.	31st March 2018	Chief Accountant

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	where organisations incur regular charges from the Authority and a schedule is used as a result, and monitored through the yearly costs spreadsheet.			• All invoices contained supporting information for additional confirmation as to why the invoices were raised; and • All invoices were accompanied by a sales requisition form. We noted that for two out of the 10 debtors invoices sampled: • One sales requisition form was missing a raised date; and • One invoice had not been authorised as it is a recurring occurrence which has been ongoing for the past 10 years relating to the rental of rooms. Without the sales requisition dates placed in the invoice requisitions, there is a risk of inaccuracy when storing then referring back to invoices at a later date. Consequently, funds owed to the Authority may be missed when debt chasing activities take place.				

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APPENDIX A: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objectives of the area under review
Processes in place are robust and include appropriate segregation of duties to ensure that transactions are processed and recorded accurately and are consistent with individual access and transaction limits.

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

Areas for consideration:

- There are clear financial regulations, policies and procedures are in place for all key financial areas;
- Access to the finance system is adequately controlled; this includes amendments to approval limits; and
- Controls are in place to ensure accurate financial reporting is made to all levels of the organisation (strategic and operational information).

General Ledger

- Journal creation and posting is controlled and includes a segregation of duties;
- The finance system is periodically backed up and assurances are received confirming its completion;
- There is a month end timetable in place which sets out the key deadlines; and
- Control account reconciliations are undertaken and independently reviewed in a timely manner following month end (reconciliations include Purchase Ledger, Sales Leger, Cash Book, Bank Account(s) and Suspense Account(s)).

Payments and Creditors (Accounts Payable, AP)

- New suppliers are subject to due diligence checks and authorisation before being set up on the finance system;
- Amendments to supplier details (including bank details) are subject to independent due diligence checks;
- The organisations quotation rules have been followed;
- Purchase orders are used for all purchases and are authorised in line with the delegated authorities;
- Goods are received on the finance system when received by the organisation;
- Invoices received are matched to purchase orders and goods received notes;
- Non purchase order purchases are subject to review and challenge;
- Payment runs are prepared for all invoiced and received goods;
- The payment run is subject to authorisation in line with the delegated authorities;
- There is adequate segregation of duties in the ordering, goods receipting and approving of invoices process; and
- The payment of invoices in accordance with prompt payment targets is monitored.

Income and Debtors (Accounts Receivable, AR)

- Processes are in place to identify all income due to the organisation;
- Invoices are subject to review and approval in line with the delegated authorities;
- Invoices are raised and issued in a timely manner;
- There is adequate segregation of duties in the agreeing the sale, the income value and the sales invoice;
- Aged debtor reports are run on a regular basis and reviewed my management;
- Regular and structured debt chasing activities are undertaken with the outcomes clearly documented;
- Bad and doubtful debts are subject to review and enhanced debt chasing activities; this includes the consideration of the use of debt recovery agencies; and
- Debt write offs are subject to approval in line with the delegated authorities.

Cash and Treasury Management

- Cash flow forecasts are prepared on a regular basis using information from AP and AR;
- Cash flow forecasts are subject to regular review by management and actions taken to ensure adequate cash flow;
- Cash flow forecast accuracy is monitored to improve the reliability of the information provided;
- Investments are only made in line with the organisations treasury management rules following approval in line with the delegated authorities;
- Loans are only made in line with the organisations treasury management rules following approval in line with the delegated authorities; and
- Loan covenants, where in place, are monitored on a regular basis with risks identified and actioned in a timely manner.

Assets

- Access to the asset register is restricted to only those staff that require access;
- Processes are in place to identify and accurately record all capital purchases made during the financial year;
- Processes are in place to identify and accurately record all disposals made during the financial year;
- Material and high risk assets are appropriately controlled and tagged;
- Asset verification processes are undertaken to ensure the accuracy of the asset register;
- Depreciation is accurately calculated in line with the agreed methodology and reflected on the asset ledger and general ledger; and
- The asset register is reconciled with the general ledger on a regular basis.

Limitations to the scope of the audit assignment:

- We will not confirm that the financial regulations, policies and procedures are complete;
- We will not confirm that the finance system work flows are enforcing approval limits;
- We will not confirm that journals are valid, only that they have been reviewed and approved appropriately;
- We will not confirm that the finance system has been backed up, only that a confirmation has been received;

- We will not substantively re-perform control account reconciliations;
- We will not confirm the validity or appropriateness of new suppliers or amendments to supplier details;
- We will not confirm that goods and services paid for have been received by the organisation;
- We will not confirm the amount paid for goods and services reflect value for money;
- We will not confirm the validity of quotations and tenders received;
- We will not confirm that prompt payment targets will be achieved;
- We will not confirm that all income due has been identified and invoiced for in a timely manner;
- We will not confirm the appropriateness or sufficiency of the sales prices agreed;
- We will not confirm the status of bad and doubtful debtors;
- We will not confirm that all actions have been taken to collect income due to the organisation;
- We will not confirm that all income and expenses have been identified;
- We will not confirm that investments are appropriate and safe;
- We will not confirm that loan creditors are secure and will not recall the funds;
- We will not confirm that value for money is achieved through the investments made and loans taken;
- We will not confirm that loan covenants have been and will continue to be achieved;
- We will not confirm that asset register includes all capital assets held;
- We will not confirm that all capital assets are still controlled by the organisation;
- We will not confirm that the most appropriate depreciation calculation methodology has been used;
- While we tested to ensure compliance with controls in place, we did not provide assurance that all information reported through the organisation is accurate, but did provide assurance that the controls in place to produce the information were robust.
- All testing will be compliance based sample testing only; and
- Our work will not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

Jeremy Harrison – Chief Accountant

Gavin Chambers – Head of Finance and Treasurer

Helen Lincoln – Principal Finance Officer

Harsha Bechoo – Finance Officer

Benchmarking

We have included some comparative data to benchmark the number of management actions agreed, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	62%	✓
Reasonable assurance	30%	
Partial assurance	6%	
No assurance	2%	
Management actions	**Average number in similar audits**	**Number in this audit**
	4	3

FOR FURTHER INFORMATION CONTACT

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
12 March 2018
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 2016/17
- 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.

Agenda Item 8

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 2016/17 Annual Governance Statement.

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 2017/18.

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 2017/18 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 2017/18 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 2016/17 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 14 June 2017, as part of the 2016/17 Statement of Accounts.

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

4. Priority Grades

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. Organisational Risk Implications

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')
RM 1.2 (16/17)	RSM May17: Final Report (16/17)	Risk Management Head of Organisational Assurance	Medium	Key fields had not been included in the Corporate Risk Register, such as mitigating controls.	The corporate risk register contains two fields Inherent and residual. The Inherent risks are calculated without actions to implemented to control the risk. The residual risk is calculated with actions placed to control or mitigate risk to the service. Actions assigned to treated risks act as control measures to further reduce the risk to the service.	**Original** Dec 17	Completed – To be confirmed by follow up audit
RM 1.3 (16/17)	RSM May17: Final Report (16/17)	Risk Management Head of Organisational Assurance	Medium	A number of issues were found with the content of the Corporate Risk Register, for instance, a number of actions did not have responsible owners or due dates, and others were found to be significantly overdue.	All risks have been reviewed and have been assigned responsible owners. Due dates have been reviewed with the actions either completed or extended, with a detailed explanation why changes have been made.	**Original** Sep17	Completed – To be confirmed by follow up audit
RM 1.4 (16/17)	RSM May17: Final Report (16/17)	Risk Management Head of Organisational Assurance	Medium	Risk scores were not being actively revised in line with assurances and updates against risks.	All risks are reviewed monthly by the responsible owner. This includes risk score, actions, completion dates and review statements to the Fire Authority Policy and challenge Groups.	**Original** Sep17	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 2017 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')
GOV 2 (16/17)	RSM May 17: Final Report (16/17)	Governance Head of Finance and Treasurer	Medium	BFRS already publish a Contracts register containing details of contracts over £5,000 together with all transparency criteria. For any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000 the service will include the following information: reference number title of agreement local authority department responsible description of the goods and/or services being provided supplier name and details sum to be paid over the length of the contract or the estimated annual spending or budget for the contract • Value Added Tax that cannot be recovered • start, end and review dates • whether or not the contract was the result of	Completed, this is now included on the web page under Transparency.	**Original** Apr 17	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')
				an invitation to quote or a published invitation to tender whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector.			
GOV 4 (16/17)	RSM May 17: Final Report (16/17)	Governance Head of Finance and Treasurer	Medium	The Authority will publish on an annual basis all Grants to voluntary, community and social enterprise organisations.	These are now on the web under Transparency.	**Original** Apr 17	Completed – To be confirmed by follow up audit
GOV 7 (16/17)	RSM May 17: Final Report (16/17)	Governance Head of Organisation Assurance	Medium	The Authority will publish the following information relating to fraud: • total amount spent by the authority on the investigation and prosecution of fraud total number of fraud cases investigated.	These are now on the web under Transparency.	**Original** Jun 17	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 2017 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')
KFC (16/17) 3.1.2	**RSM** Feb 17: Final Report (16/17)	Key Financial Controls Head of Finance and Treasurer	Medium	The Authority will ensure that any requests for sales invoices or credit notes to be raised are authorised by the requesting manager or the Chief Accountant / Head of Finance and reflect this in the policies & procedures.	This has been added to the policy/procedure.	**Original** Dec 17	Completed –To be confirmed by follow up audit
SI (16/17) 1.2	**RSM** Dec 16: Final Report (16/17)	Stock and Inventory Head of Operational Support	Medium	The Technical Support Manager will ensure stock is located and organised according to the space available to stores. Larger items may be stored externally away from stores due to available space. A review of all OP numbers will take place to ensure they relate to the correct item and the correct shelf space. The Technical Support Manager will ensure an interim stock take is performed on all stock held by the Technical department to ensure accuracy. This exercise will also ensure that stock is organised in a manner which will enable ease for future counts	Stock take now completed, action complete.	**Original** Mar 17	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')
FM (16/17) 2	**RSM** Nov 16: Final Report (16/17)	Fleet Management Head of Operational Support	High	BFRA will update the repair and maintenance Policy and health and safety Policy to include a requirement for monthly reviews of the logbooks to ensure these are being completed in line with the policy. The logbooks will be updated to include a section where signoff can be included evidencing routine review of the logbooks to ensure they are being satisfactorily completed. The reviewer will also complete random monthly checks of the random sample vehicle to ensure the checks are being completed properly. Ancillary vehicles used as pool cars will be assigned an individual who checks the logbook every week and if the car has not been taken out will carry out the checks and update the logbook.	Workshops have now got a full complement of staff, the assistant workshop technician will now check all pool vehicles on a Monday and record the inspection details on a job card.		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 2017 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')
FM (16/17) 5	**RSM** Nov 16: Final Report (16/17)	Fleet Management Head of Operational Support	Medium	BFRA will ensure that a random monthly Freight Transport Agency (FTA) inspection is carried and documented as per the policy.	Freight Transport Agency (FTA) inspection inspections have now taken place on a monthly basis for 2017.	**Original** Jan 17	Completed – To be confirmed by follow up audit

Monitoring Report of Actions Arising from 2016/17 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	To continue to address the medium term funding gap.	This process has now been completed when setting the 2018/19 budget	Feb 2018	Completed
2	Review of Authority Effectiveness	All actions from the 2016/17 Review of Authority Effectiveness Action Plan to be completed during 2017/18 and formally reviewed by Members as part of the following year's process	All actions from the 2016/17 Review of Authority Effectiveness Action Plan to be completed during 2017/18 and formally reviewed by Members as part of the following year's process.	Proposals for the review of the Fire and Rescue Authority's effectiveness in 2017/18 was agreed at the Audit and Standards Committee on 28 September 2017 namely: Policy and Challenge Groups and Committees reviewed their effectiveness by considering three overarching questions which fed into the FRA Review of Effectiveness. These were considered by the CSPCG on 29/11/2017, SDPCG on 30/11/2017, ASC on 6/12/2017 and HRPCG on 11/01/2018. The recorded Minutes of the meetings were fed into the facilitated meeting held on 18 January 2018 to review the Fire Authority's Effectiveness in 2017/18. A report on the outcomes will be submitted to the next Audit and Standards Committee on 28/03/2018 .	Mar 2018	In Progress

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
12th March 2018
Item No. 9

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
Tel No: 01234 845016

Background Papers:

The Treasury Management Strategy and Treasury Management Policies for 2017/18 were scrutinised by the Corporate Services Policy and Challenge Group on 14 March 2017 and approved by the Fire and Rescue Authority on 27 April 2017

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, 2011 and 2017 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 main 2017 Code updates are noted in para 3.2 below.

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 has been an update in 2017 to the Code. These updates are summarised on pages 36 and 37 of Appendix 7. They are updated to capture the increasingly commercial approach being taken by many councils who are investing in property, with many outside of their own authority's area. The Code is now less prescriptive as to what indicators to be included in the strategy.

3.3 Inter Authority lending has also been included as an option to consider, should this arise, within the Strategy at para 6.4.

3.4 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.

There are no material updates to comment on for 2018/19.

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, 2013 and 2015 by Capita Asset Services (now Link Asset Services).

- The most recent training was again provided by Link Asset Services at the Members Development on 4th July 2017.

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 borrowing of £9.987m,
- short-term investments of up to £10m,
- budgeted interest of £90k in 2018/19 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

Bedfordshire Fire and Rescue Service

Fire and Rescue Service

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2018/19

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, when it is prudent and economic, 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 borrowing, 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.

1.3 CIPFA Requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2017) 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 2018/19

The strategy for 2018/19 covers two main areas:

Capital issues

- The capital plans and the prudential indicators
- The minimum revenue provision (MRP) policy.

Treasury Management issues

- treasury limits in force which will limit the treasury risk and activities of the Authority
- the current treasury position
- treasury indicators which limit the treasury risk and activities on the Authority
- 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

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.5 **Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training has been undertaken by members, delivered by our Treasury Advisors Link Asset Services, on 4 July 2017 as part of the Members Training Day.
The training needs of treasury management officers are periodically reviewed.

1.6 **Treasury Management Consultants**

The Authority uses Link Asset Services, Treasury solutions as its external treasury management advisors.

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.

2. **The Capital Prudential Indicators for 2018/19 – 2021/22**

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 **Capital expenditure**

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously and those forming part of this budget cycle.

Members are asked to approve the capital expenditure forecasts:

Capital Expenditure £000's	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Total	1,790	1,278	1,253	1,455	1,213

Other long-term liabilities. The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £000's	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital receipts	0	48	134	100	40
Capital grants	29	0	0	0	0
Capital reserves	1,761	0	0	300	0
Revenue	0	1,230	1,119	1,055	1,173
Net financing need for the year	0	0	0	0	0

2.2 The Authority's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduced the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £70k of such schemes with the CFR.

The Authority is asked to approve the CFR projections below:

£m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Total CFR	**9,386**	**8,892**	**8,401**	**7,974**	**7,552**
Movement in CFR	**-514**	**-494**	**-491**	**-427**	**-421**

Movement in CFR represented by;					
Net financing need for the year (above)	**0**	**0**	**0**	**0**	**0**
Less MRP/VRP and other financing movements	-514	-494	-491	-427	-421
Movement in CFR	**-514**	**-494**	**-491**	**-427**	**-421**

3. Borrowing

The capital expenditure plans set out in Section 3 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Authority's treasury portfolio position at 31 March 2017 with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement (CFR), highlighting any over or under borrowing.

£m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
External Debt					

Debt at 1 April	9,987	9,987	9,987	9,987	9,987
Expected change in Debt	0	0	0	0	0
Other long-term liabilities (OLTL)	132	70	6	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	10,119	10,057	9,993	9,987	9,987
The Capital Financing Requirement	9,386	8,892	8,401	7,974	7,552
Under/(over) borrowing	(733)	(1,165)	(1,592)	(2,013)	(2,435)

3.2 **Treasury Indicators: limits to borrowing activity**

The Operational Boundary. This is the limit beyond which external debt 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 debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £M	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	9,987	9,987	9,987	9,987
Other long term liabilities	70	6	0	0
Overdraft	0	0	0	0
Total	10,057	9,993	9,987	9,987

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external debt 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 Authority's 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:

3.

Authorised Limit	2017/18	2018/19	2019/20	2020/21

£M	Estimate	Estimate	Estimate	Estimate
Debt	9,987	9,987	9,987	9,987
Other long term liabilities	70	6	0	0
Overdraft	0	0	0	0
Worst Case Scenario Payroll	1,900	1,900	1,900	1,900
Total	11,957	11,893	11,887	11,887

4. Prospects for Interest Rates

The Authority has appointed Link 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.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

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

- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other,

particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.

- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

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

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. 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 the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

5. <u>Borrowing Strategy</u>

5.1 Borrowing Rates

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 2018/19 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.

5.2 **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.

5.3. **Debt Rescheduling**

As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential 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 current treasury position and the size of the cost of debt repayment (premiums incurred).

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.

6. **Annual Investment Strategy**

6.1 **Investment Policy**

The Authority's investment policy has regard to the CLG's Guidance on Local Government Investments ('the Guidance') and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ('the CIPFA TM Code'). The Authority's investment priorities will be security first, portfolio liquidity second, then return.

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. The key ratings used to monitor couterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; 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 achieve this consideration the Authority 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.

6.2 **Creditworthiness Policy**

This Authority applies the creditworthiness service provided by Link 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

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it 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 quarterly. The Authority is alerted to changes to ratings of all three agencies through its use of the Link 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.

Nat West Bank (part of the RBS group) does not currently meet our "fixed term investment" criteria as it has a rating of F2 (Fitch ratings), however the Authority will continue to use it for cash flow management purposes for "day to day" banking needs but will not place any fixed term investments until it meets the criteria set out in the Authority's Treasury Management Policies and Practises.

6.3 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) or UK banks who meet the Link Asset Services credit criteria. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.

6.4 Investment Strategy

***In-house funds**:*

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). The Authority will fix some of its investments in the longer term to ensure sufficient return on investments but will keep some of its investments short term in order to take advantage of any potential interest rates rises within the year.

Investment returns expectations: Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

6.5 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.

6.6 Policy on the Use of External Service Providers

The Authority uses Link 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.

6.7 Scheme of Delegation

Please see Appendix 6.

6.8 Role of the Section 151 Officer

Please see Appendix 7.

Appendices

1. Prudential and treasury indicators and MRP Statement
2. Interest Rate Forecasts
3. Economic Background
4. Treasury management Practice
5. Approved countries for investments
6. Treasury management scheme of delegation
7. The Treasury Management Role of the Section 151 Officer

APPENDIX 1

MINIMUM REVENUE PROVISION POLICY STATEMENT 2018/19

The Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10 and will assess their MRP for 2018/19 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 2018/19 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.

Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's finances. The Authority is asked to approve the following indicators:

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Ratios	2.57%	2.66%	2.65%	2.61%	2.54%

The estimates of financing costs include current commitments and the proposals in this budget report.

Treasury indicators for debt

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates:

- Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The FRA is asked to approve the following treasury limits:

Maturity structure of fixed rate borrowing during 2018/19		
	Lower	**Upper**
Under 12 months	0%	25%
12 months to 2 years	0%	25%
5 years to 10 years	0%	25%
10 years and above	0%	100%

INTEREST RATE FORECASTS

1. Individual Forecasts

Link Asset Services

Interest rate forecast – February 2018

	Mar 18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Bank Rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%
5yr PWLB rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%	2.40%
10yr PWLB rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%
25yr PWLB rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%

Capital Economics

Interest rate forecast – January 2018

	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%
5yr PWLB rate	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%
10yr PWLB rate	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%
25yr PWLB rate	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%
50yr PWLB rate	2.50%	2.70%	2.90%	2.90%	2.90%	3.05%	3.05%	3.15%

ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high
h). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ. Economic growth in the Eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

<u>**Brexit timetable and process**</u>

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

SPECIFIED AND NON-SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

These are sterling investments that do not exceed 365 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 2018/19 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 365 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 365 days. Under the new regulations that restriction is removed, however investments that do exceed 365 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 365 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
- Singapore
- Sweden
- Switzerland
- U.S.A

AA+

- Finland
- Hong Kong

AA

- United Arab Emirates
- France
- U.K.

AA-

- Belgium
- Qatar

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**
Non-UK Banks	Orange	In-house and Fund Managers	50%	**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.

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.

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.

The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management)): -

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees – our Authority doesn’t have these.

- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following *(TM Code p54):* -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
    - *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
    - *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

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APPENDIX B

Bedfordshire and Fire and Rescue Service

Fire and Rescue Service

TREASURY MANAGEMENT PRACTICES

2018/19

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:

		Page
TMP 1	Treasury Risk Management	15-19
TMP 2	Performance Measurement	20-22
TMP 3	Decision–making and analysis	23-24
TMP 4	Approved instruments, methods and techniques	25-26
TMP 5	Organisation, clarity and segregation of responsibilities, and dealing arrangements	27-32
TMP 6	Reporting requirements and management information arrangements	33-36
TMP 7	Budgeting, accounting and audit arrangements	37-38
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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 Link 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.
    - Link 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 16th February 2018 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 365 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. <u>Exchange Rate Risk Management</u>

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. <u>Refinancing Risk Management</u>

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 2017/18 budget and continues to do so in the 2018/19 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 currently Mr J 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 has concerns as to the financial prudence of its actions or its expected financial position.

7. <u>Fraud, Error and Corruption, and Contingency Management</u>

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 Policy/Insurance

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

For business travel the Service is insured by Zurich Municipal. ZM also carry out the service engineering (equipment) inspection.

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 365 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 2018/19 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 365 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 365 days. Under the new regulations that restriction is removed, however investments that do exceed 365 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 365 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
- Singapore
- Sweden
- Switzerland
- U.S.A

AA+

- Finland
- Hong Kong

AA

- United Arab Emirates
- France
- U.K.

AA-

- Belgium
- Qatar

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**
Non-UK Banks	Orange	In-house and Fund Managers	50%	**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 (Link).

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.

Nat West Bank (part of the RBS group) does not currently meet our “fixed term investment” criteria as it has a rating of F2 (Fitch ratings), however the Authority will continue to use it for cash flow management purposes for “day to day” banking needs but will not place any fixed term investments until it meets the criteria set out in the Authority’s Treasury Management Policies and Practises.

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. Treasury Management Organisation Chart

Chief Fire Officer

Head of Finance and Treasurer

Chief Accountant

Principal Finance Officer | Principal Finance Officer

4. Statement of the Treasury Management Duties/Responsibilities of each Treasury Post

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 Link 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, Link 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: CGMA

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**

Nat West

a. Name of supplier of service is the Nat West 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:

Link Asset Services (formerly Capita)

6th Floor
65 Gresham Street
London
EC2V 7NQ
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.

This contract is due to be renewed or replaced in May 2018.

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

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Weekly Credit List: 16/02/2018										
Institution Benchmark: iTraxx Senior Financials Index 53.02 (50.99)										
Institution Benchmark: Monitoring Boundary: 100										
:	**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	-	-	-	Aa2	-	-	AA	-	
Abbey National Treasury Services PLC	A	F1		1	Aa3	P-1	-			O - 12 mths
Bank of Scotland PLC	A+	F1	a	5	Aa3	P-1	-	A	A-1	O - 12 mths
Barclays Bank PLC	A	F1	a	5	A1	P-1	-	A	A-1	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	R - 6 mths
HSBC Bank plc	AA-	F1+	a+	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Lloyds Bank Plc	A+	F1	a	5	Aa3	P-1	-	A	A-1	O - 12 mths
Santander UK plc	A	F1	a	2	Aa3	P-1	-	A	A-1	R - 6 mths
Standard Chartered Bank	A+	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Sumitomo Mitsui Banking Corporation Europe Ltd ~	A	F1		1	A1	P-1	-	A	A-1	R - 6 mths
UBS Ltd ~	AA-	F1+		1	A1	P-1	-	A+	A-1	O - 12 mths
Coventry BS	A	F1	a	5	A2	P-1	-			R - 6 mths
Leeds BS	A-	F1	a-	5	A3	P-2	-			G - 100 days
Nationwide BS	A+	F1	a	5	Aa3	P-1	-	A	A-1	R - 6 mths
Skipton BS	A-	F1	a-	5	Baa1	P-2	-	-	-	G - 100 days
Yorkshire BS	A-	F1	a-	5	A3	P-2	-	-	-	G - 100 days
AAA rated and Government backed securities	-	-	-	-	-	-	-	-	-	-
Collateralised LA Deposit*	AA	-	-	-	Aa1	-	-	AA	-	No Data Available
Debt Management Office	AA	-	-	-	Aa1	-	-	AA	-	No Data Available
Supranationals	AAA	-	-	-	Aaa	-	-	AAA	-	No Data Available
UK Gilts	AA	-	-	-	Aa1	-	-	AA	-	No Data Available
National Westminster Bank Plc	BBB+	F2	bbb+	5	A2	P-1	-	BBB+	A-2	

Weekly Credit List: 16/02/2018										
Institution Benchmark: iTraxx Senior Financials Index 53.02 (50.99)										
Institution Benchmark: Monitoring Boundary: 100										
:	**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										
United States	AAA				Aaa		-	AA+		
Bank of America N.A.	A+	F1	a	5	Aa3	P-1	-	A+	A-1	O - 12 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	O - 12 mths
JPMorgan Chase Bank N.A.	AA-	F1+	a+	5	Aa2	P-1	-	A+	A-1	O - 12 mths
Wells Fargo Bank, NA	AA-	F1+	a+	5	Aa1	P-1	-	A+	A-1	O - 12 mths
Australia	AAA				Aaa			AAA		

Australia and New Zealand Banking Group Ltd.	AA-	F1+	aa-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Commonwealth Bank of Australia	AA-	F1+	aa-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Macquarie Bank Ltd.	A	F1	a	3	A2	P-1	-	A	A-1	R - 6 mths
National Australia Bank Ltd.	AA-	F1+	aa-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Westpac Banking Corp.	AA-	F1+	aa-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Belgium	AA-				Aa3			AA		
BNP Paribas Fortis	A+	F1	a	1	A1	P-1	-	A	A-1	
KBC Bank N.V.	A	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Canada	AAA				Aaa			AAA		R - 6 mths
Bank of Montreal	AA-	F1+	aa-	2	A1	P-1	-	A+	A-1	O - 12 mths
Bank of Nova Scotia	AA-	F1+	aa-	2	A1	P-1	-	A+	A-1	O - 12 mths
Canadian Imperial Bank of Commerce	AA-	F1+	aa-	2	A1	P-1	-	A+	A-1	O - 12 mths
National Bank of Canada	A+	F1	a+	2	A1	P-1	-	A	A-1	R - 6 mths
Royal Bank of Canada	AA	F1+	aa	2	A1	P-1	-	AA-	A-1+	O - 12 mths
Toronto-Dominion Bank	AA-	F1+	aa-	2	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Denmark	AAA				Aaa			AAA		
Danske A/S	A	F1	a	5	A1	P-1	-	A	A-1	O - 12 mths
Finland	AA+				Aa1			AA+		
France	AA				Aa2			AA		
BNP Paribas	A+	F1	a+	5	Aa3	P-1	-	A	A-1	R - 6 mths
Credit Agricole Corporate and Investment Bank	A+	F1	WD	WD	A1	P-1	-	A	A-1	R - 6 mths
Credit Agricole S.A.	A+	F1	a+	5	A1	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
Societe Generale	A	F1	a	5	A2	P-1	-	A	A-1	R - 6 mths
Germany	AAA				Aaa			AAA		
BayernLB	A-	F1	bbb	1	Aa3	P-1	-	NR	NR	R - 6 mths
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	AA-	F1+		WD	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Landesbank Baden-Wuerttemberg	A-	F1	bbb+	1	Aa3	P-1	-	NR	NR	R - 6 mths
Landesbank Berlin AG					Aa2	P-1	-			O - 12 mths
Landesbank Hessen-Thueringen Girozentrale	A+	F1+		WD	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	Baa2	P-2	-	NR	NR	
NRW.BANK	AAA	F1+		1	Aa1	P-1	-	AA-	A-1+	
Netherlands	AAA				Aaa			AAA		
ABN AMRO Bank N.V.	A+	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Bank Nederlandse Gemeenten N.V.	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 N.V.	A+	F1	a+	5	Aa3	P-1	-	A+	A-1	O - 12 mths
Nederlandse Waterschapsbank N.V.					Aaa	P-1	-	AAA	A-1+	P - 24 mths
Qatar	AA-				Aa3			AA-		
Qatar National Bank	A+	F1	bbb+	1	Aa3	P-1	-	A	A-1	G - 100 days
Singapore	AAA				Aaa			AAA		
DBS Bank Ltd.	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Oversea-Chinese Banking Corp. 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		
Nordea Bank AB	AA-	F1+	aa-	5	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Skandinaviska Enskilda Banken AB	AA-	F1+	aa-	5	Aa3	P-1	-	A+	A-1	O - 12 mths
Svenska Handelsbanken AB	AA	F1+	aa	5	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Swedbank AB	AA-	F1+	aa-	5	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Switzerland	AAA				Aaa			AAA		
Credit Suisse AG	A	F1	a-	5	A1	P-1	-	A	A-1	R - 6 mths
UBS AG	AA-	F1+	a+	5	Aa3	P-1	-	A+	A-1	O - 12 mths
United Arab Emirates	AA				Aa2			AA		
First Abu Dhabi Bank PJSC	AA-	F1+	a-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
12 March 2018
Item No. 10

REPORT AUTHOR:	**HEAD OF FINANCE/TREASURER**
SUBJECT:	**ASSET MANAGEMENT STRATEGY**

For further information on this Report contact:	Mr G Chambers Head of Finance and Treasurer Tel No: 01234 845016

Background Papers: None

PURPOSE:

For the Corporate Services Policy and Challenge Group (CSP&CG) to review and comment on the proposed Asset Management Strategy.

RECOMMENDATIONS:

That the CSP&CG:

1. Review, comment on and recommend for approval, the Asset Management Strategy.
2. Approve that the Strategy is reviewed every three years and the individual Asset Management Plans annually.

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1. Introduction

1.1 The Asset Management Strategy has not been reviewed by Members in the last three years. It was requested at the CSP&CG meeting on 21 June 2017, that the strategy be presented again to Members for consideration.

2. Asset Management Strategy and Plans

2.1 The Asset Management Strategy is attached at Appendix 1. It is the overarching strategy that is supported by three detailed Asset Management Plans covering ICT, Fleet & Transport and Property.

2.2 The Asset Management Strategy includes:

- A definition of the term asset management
- The principles and benefits of asset management
- The Authority's asset management objectives
- The Authority's approach to asset management planning, including the production of Asset Management Plans and their relationship with other corporate plans
- Asset management arrangements and responsibilities

2.3 The Asset Management Plans have previously been presented annually to the CSP&CG meeting in June. At the meeting on the 21 June 2017, the CSP&CG has requested that the plans are scheduled across the year, rather than all three large plans being presented at one meeting.

2.4 There are no financial implications to consider, as the strategy and plans will be met within existing revenue and capital budgets. Where they will not be, these items will be subject to Fire and Rescue Authority approval.

3 Recommendations

3.1 Following the review by the CSP&CG, that the Asset Management Strategy is recommended to the Fire and Rescue Authority for approval.

3.2 That the Strategy, once approved, will be scheduled for review every three years, with the individual Asset Management Plans annually.

GAVIN CHAMBERS
HEAD OF FINANCE/TREASURER

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ASSET MANAGEMENT STRATEGY

1 Introduction

Bedfordshire Fire and Rescue Service (the Authority) own and / or use a significant range of assets which include:

• Property (land and buildings)
• Fleet/Transport
• Equipment (fire and rescue emergency response equipment)
• ICT Hardware and Software Systems

The value of the Authority's tangible fixed assets can be found in the latest published Statement of Accounts and summarised in the Balance Sheet section.

This strategy sets out the Fire and Rescue Authority's objectives for, and approach to, the management of these corporate assets. Asset management forms a key component of the Fire Authority's corporate and financial governance arrangements.
The strategy aims to achieve good practice by following the recommendations of 'Building On Strong Foundations – A Framework For Local Authority Asset Management', published by the Department for Communities and Local Government in February 2008 and more recent publications too.

This strategy details the Authority's overall approach to the management of these assets and includes:

- A definition of the term asset management.
- The principles and benefits of asset management
- The Authority's asset management objectives.
- The Authority's approach to asset management planning, including production of Asset Management Plans and their relationship with other corporate plans.
- Asset management arrangements and responsibilities.

2 Definition of Asset Management

Asset management can be defined as an "activity that seeks to align the asset base with the organisation's corporate goals and objectives … [and which] …ensures that the … asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned.'[1]

3 Principles and Benefits of Asset Management

The core principles of the Authority's approach to asset management are as follows:

- To contribute to the long-term aims and objectives of the Authority.
- To tactically support the needs of individual asset users.
- To ensure assets are managed in an efficient and effective manner to deliver Best Value.
- To assist the Authority in meeting its statutory obligations under the Fire and Rescue Services Act 2004 and Civil Contingencies Act 2004.
- To integrate asset management with the Authority's other management processes (including compliance, financial, risk management, human resource management).

This Asset Management Strategy therefore reflects the strategic context supporting the procurement, provision, development, maintenance and disposal of the Fire and Rescue Authority's assets.

There are many benefits for the Authority, both financial and non-financial, of good asset management. The following list sets out some of the benefits, although it is worth recognising that at times these benefits may conflict with each other. Good asset management can:

- Deliver exceptional services for citizens, aligned with locally agreed priorities, whilst focusing investment on need.

- Ensure appropriate, effective IT and Communications equipment and solutions are provided.

[1] Royal Institution of Chartered Surveyors (RICS) Public Sector Asset Management Guidelines 2008

- Secure high quality and cost effective accommodation, which will be sufficiently flexible to adapt to the Authority's long-term requirements and ensure that assets are correctly maintained.

- Secure high quality and cost effective vehicles and other equipment which will allow the Authority to effectively meet its statutory obligations under the Fire and Rescue Services Act 2004.

- Generate efficiency gains, capital receipts, or an income stream which will assist in the delivery of a cost effective and responsive service, which supports operational needs.

- Help to strategically plan accommodation for the future.

- Contribute to the Authority's community safety initiatives through the design of fire stations.

- Contribute to the Authority's community safety initiatives through the provision of appropriate vehicles and equipment which meet operational need.

- Support the Authority's corporate risk management in relation to legislative and compliance obligations including improving the accessibility of services and ensure compliance with Equality and Dignity requirements.

- Reduce carbon emissions and improve environmental sustainability.

- Increase co-location, partnership working and sharing of knowledge.

4 Asset Management Objectives

Based upon the above principles and benefits, together with the Authority's own context, the Authority has identified the following corporate asset management objectives and key areas of focus:

a. To ensure that the Community Risk Management Plan (CRMP) is fully supported by the Authority's asset base.

Key areas of focus:

- Reviewing assets through the CRMP process to identify opportunities to improve community safety.
- Effective management of the asset base.
- Effective management of the procurement of assets.
- Ensuring assets are suitable, accessible and maintained to required Standards.
- Ensuring that new assets are sustainable and affordable for the whole life of the asset.

b. To procure, manage and dispose of assets in an efficient manner.

Key areas of focus:

- Challenging the need for ownership/retention of under achieving assets.
- Ensuring asset related efficiency savings are maximised.
- Minimising the costs via efficient processes, partnership approaches and economies of scale.
- Reducing annual running costs.
- Ensuring robust project planning processes are in place.

c. To realise maximum value from assets in contributing to the Authority's objectives.

Key areas of focus:

- Reviewing assets through the CRMP process to identify opportunities to improve community safety.
- Seeking opportunities to engage with partners in shared facilities.

d. To raise awareness of assets and provide a clear decision making process.

Key areas of focus:

- Setting standards for design, care and use of assets.
- Monitoring compliance with statutory, legal and other obligations.
- Periodically review corporate management arrangements for capital asset planning to ensure they are fit for purpose.
- Conduct post implementation review of all capital projects that are undertaken.
- Engage with other organisations and share learning to drive a process of continuous improvement.

e. To ensure the Authority effectively manages its asset base.

Key areas of focus:

- Up-to-date Capital Strategy linked to CRMP and Medium-Term Financial Strategy.
- Up-to-date Asset Management Plans with existing asset management arrangements and outcomes, assessment of backlog maintenance; plans to improve corporate asset use.
- Up-to-date asset register.
- Designated corporate property officer.
- Reporting arrangements allow Members to fulfill strategic responsibilities.

- ➢ Annual planned maintenance programme based on rolling surveys.
- ➢ Priority given to capital projects based on formal, objective approval process.

5 Asset Management Planning

The Authority's approach to asset management planning in respect of its main asset groups will be through the development and maintenance of three detailed Asset Management Plans, as follows:

- Land and Buildings
- Fleet and Transport
- Information and Communications Technology

The Asset Management Plans will set out the Authority's plans for managing and developing its asset base over the medium-term and will cover a three to four year period (aligned with the Authority's Community Risk Management and Medium Term Financial Planning processes). The relevant functional head is responsible for production of draft plans by the end of March each year in respect of the following financial year (or later where data is required, such as utility information). The development of these draft plans will take place in parallel with the CRMP and budget setting processes. Following finalisation of the service budgets, CRMP and previous years' performance, the final plans will then be presented to the Corporate Services Strategy and Challenge Group for review and approval by June each year.

The individual Asset Management Plans will clearly identify the way in which the management of the Authority's assets supports the core provision of a fire and rescue service to the public and will reference key information, policies, procedures and performance information for the asset groups.

The overall shared aims of the Asset Management Plans will be to:

- Support the effective provision of service delivery, in particular emergency response cover, based on the current and future requirements which are driven by travel distances and response times.

- Define in broad terms, the user requirements.
- Define the standard of provision with appropriate Key Performance Indicators for performance management purposes.
- Provide a framework for improving and maintaining assets.
- Inform the strategic and financial planning of the Fire and Rescue Authority over the medium-term.
- Take account of whole life costs, sustainability issues and affordability.

It is a fundamental principle of effective asset management that it must be undertaken on a ‘whole life’ basis and the Asset Management Plans will therefore reflect the following stages:

- **Identification** of need.
- **Procurement**, including ongoing maintenance and development to suit continuing needs.
- **Operation** by the asset user.
- Regular **review** of fitness for purpose and performance.
- **Disposal** when the need no longer exists or it is no longer appropriate or financially advantageous for the asset to be retained.

Performance measurement and target setting drives service improvement. For that reason, each Asset Management Plan will incorporate Key Performance Indicators related to its asset group which will:

- Reflect appropriate national Performance Indicators and facilitate benchmarking
- Lead to establishment of challenging targets.
- Be used for robust reporting of performance at Authority and Service level.

The Asset Management Plans will inform and be informed by the Authority’s other corporate planning processes, including:

- Community Risk Management Plan, which sets out how the Authority’s vision and strategy priorities and how the Authority will deploy resources in the most efficient/effective way to improve public safety.
- Medium-Term Financial Plan, which sets out forecast expenditure and available resources over a four year period.
- Partnership Plans

Major investment in the asset base is funded by the Capital Programme. The Capital Programme is built up from bids for capital resources submitted to the officer led Capital Strategy Team who will:

- Assess the availability of financial resources.
- Explore and assess alternative ways of delivering strategic objectives.
- Assess affordability and determine priorities.
- Formulate, manage, monitor and evaluate capital schemes.

The Capital Programme is then submitted to Members of the Fire and Rescue Authority (FRA) for their consideration and approval.

The Capital Programme:

- Links capital investment in the Authority's asset base to the Community Risk Management Plan and the Medium-Term Financial Strategy.
- Covers all aspects of capital expenditure within the Authority.
- Informs the Revenue budget.
- Ensures assets are fully considered in the Authority's plans.
- The Capital Programme includes all known requirements over a four year period and is reviewed and reported to each FRA meeting.

6 Asset Management Roles and Responsibilities

In summary, the following officers have the responsibility of protecting, safeguarding and maintaining assets within their control. This includes ensuring that there are proper asset registers/records held for the assets they manage, the assets are secure and security marked as necessary and that where maintenance is required a robust system is in place to ensure this is actioned, monitored and recorded appropriately. The lead officers are:

The Head of ICT – Information Technology and Communications Assets
The Head of Finance/Treasurer – Property Assets

The Head of Service Delivery Support – Fleet and Equipment

The following undertake key roles in the asset management process:

Individual/Group Role	
Corporate Services Policy & Challenge Group	Review and approve the Asset Management Strategy every three years. Annually review and approve the three Asset Management Plans.
Corporate Services Policy & Challenge Group	Regularly monitor asset management performance against the Key Performance Indicators within each Asset Management Plan and scrutinise the effectiveness of the asset management process.
Capital Strategy Team	The Chief Fire Officer is the chair of the Capital Strategy Team Develop and monitor the Capital Programme. Prioritise capital investment bids. Assign and consider post-implementation reviews of capital projects.
Chief Fire Officer	Lead Principal Officer support to Corporate Services Policy and Challenge Group Develop corporate asset management strategy
Head of Finance/Treasurer	Undertake the role of 'Corporate Asset Officer.' Oversee ongoing development and implementation of the Asset Management Plans.
Head of ICT Head of Service Delivery Support Property Manager	Undertake role of 'asset officers' for their respective asset group. Produce and manage the ongoing development and implementation of the Asset Management Plan for their respective asset group. Liaise closely with the Head of Finance/Treasurer on all asset related issues.

Appendix 1 Item 10.11

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
12 March 2018
Item No. 11

REPORT AUTHOR: **HEAD OF ORGANISATIONAL ASSURANCE**

SUBJECT: **Corporate Services Risk Register**

For further information on this Report contact:
Area Commander Darren Cook
Head of Organisational Assurance
Tel No: 01234 845061

Background Papers: None

Implications (tick ✓):

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

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 together with 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, all risk ratings have been reviewed and there are no changes to the inherent and residual risk score.

2.3 Updates to individual risks in the Corporate Risk Register:

- **CRR00029: If we do not communicate well, both internal and external to the Service, then we will suffer from poor staff morale, miss the opportunity to promote ourselves and the excellent work that we do and potentially impact upon our ability to deliver a full range of services:** The new website wire frames have been showcased to the Service at a recent Management Briefing Day. These show the basic layouts for the online and mobile versions. Liaison between BFRS and Zengenti continues to ensure the content is both usable and compliant with accessibility legislation. The inherent risk score of 6 and residual score of 2 remain unchanged following this update.

- **CRR00004: If there is a large number of staff absent from the workplace then our ability to deliver services to our communities is severely compromised and our reputation will be adversely affected:** The adverse weather plan has been reviewed following potential reports of snow across the country. The risk Inherent risk score remains at 16 with the residual score of 12.

- **CRR00005: 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 breech of health and safety legislation:** The project is currently deferred, pending further market research, which is on-going. There has been significant progress in development of cloud based systems since the original inception of this project. A site visit to Durham and Darlington Fire and Rescue Service in February 2018 to view their Blue Light Asset Management system in operation proved to be of considerable value. Substantial savings are possible with a cloud-based system and ongoing annual maintenance costs could be significantly reduced compared with previously quoted figures for hardware based solutions. Further work is underway on technical specifications drawing from the knowledge and experience of Darlington and Durham. The inherent risk score remains at 8 with the residual score of 3. No changes have been made to the risk score following the update to this risk.

- **CRR00015: If we do not properly manage the work issues that can potentially be caused by collaboration or shared services including: 1. Redundancy 2. Relocation 3. Cost of work for the convergence of procedures 4. Use of inexperienced staff familiar with FRS operations 5. Increase in staff numbers and associated cost then there will be a negative cultural impact upon the service and the projects may fail:** Project closure document is in draft, with the proposal to close the project by the end of the financial year. At this point the 4i system will revert BAU and be handed over to Head of Service Delivery as a Service Delivery function. The inherent score remains at 9 with the residual at 4. There is no change to this scoring falling this update.

AREA COMMANDER DARREN COOK
HEAD OF ORGANISATIONAL ASSURANCE

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
12 March 2018
Item No. 12

REPORT AUTHOR: **CHIEF FIRE OFFICER**

SUBJECT: **REVIEW OF WORK PROGRAMME 2017/18**

For further information on this report contact: Nicky Upton
Democratic and Regulatory Services Supervisor
Tel No: 01234 845149

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 2017/18 and to provide Members with an opportunity to request additional reports for the Corporate Services Policy and Challenge Group meetings for 2018/19.

RECOMMENDATION:

That Members review the work programme for 2017/18 and note the ‘cyclical’ Agenda Items for each meeting in 2018/19.

PAUL M FULLER CBE QFSM
CHIEF FIRE OFFICER

CORPORATE SERVICES POLICY AND CHALLENGE GROUP (CSPCG) PROGRAMME OF WORK 2017/18

Meeting Date	'Cyclical' Agenda Items		Additional/Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
21 June 2017	• Election of Vice Chair • Terms of Reference • Minutes of Shared Service IT Governing Body *(under Communications)* • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2016/17 Year End Report and Programmes to date • Treasury Management Annual Report 2016/17 • Asset Management Policy and Plans – ICT, Property and Fleet • Risk Register • Work Programme 2017/18		Review of Protection Programme and Insurance Provision Update on review into utility usage and stations where usage is higher than expected Fraud Update (possible pink paper) Fire and Rescue Idemnity Company (FRIC) Whistleblowing Policy and Effect on Individuals who have enacted the Policy	HFT – March 2016 Requested June 2016 – to be included in Asset Management Plan HFT – April 2017 HFT – April 2017 Requested by Audit and Standards Committee 16 March 2017

Meeting Date	'Cyclical' Agenda Items		Additional/Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
13 September 2017	• Minutes of Shared Service IT Governing Body *(under Communications)* • Revenue Budget and Capital Programme Monitoring 2017/18 • 2018/19 Revenue Budget and Capital Programme (Planning Arrangements) • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2017/18 Quarter 1 and Programmes to date • Annual Review of the Operation of ICT Shared Service Agreement' • Corporate Risk Register • Work Programme 2017/18		Report / Presentation on Investment in the Service's servers and other ICT infrastructure	Requested at CSPCG meeting 6 December 2016

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
29 November 2017	• Minutes of Shared Service IT Governing Body *(under Communications)* • Revenue Budget and Capital Programme Monitoring 2017/18 • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2017/18 Quarter 2 and Programmes to date • Treasury Management Mid Year Review Report • Review of Corporate Services Policy and Challenge Group Effectiveness • Corporate Risk Register • Work Programme 2017/18			

Meeting Date	‘Cyclical’ Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
12 March 2018	• Minutes of Shared Service IT Governing Body *(under Communications)* • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2017/18 Quarter 3 and Programmes to date • Proposed Corporate Services Indicators and Targets 2018/19 • Treasury Management Strategy and Practices • Corporate Risk Register • Asset Management Strategy for 2018/19 • Review of Work Programme 2017/18	Review of ICT Targets Wording of FPN6 (Percentage of debt over 90 days old) highlighted at Nov 2017 mtg Review: (a) Lending to neighbouring authorities (b) Develop policy statement on ethical investment (c) The prudential indication and the limits for external debt As Advised in CSP&CG meeting on 21 June 2017	ICT structure and recruitment issue to be included March 2018 – ACO deferred to June mtg Note on GDPR to be provided Members of the CSPCG to bring their mobile device/s to this meeting to register and sync them to Modern.gov software. (After the meeting)	Briefing meeting held 21.11.17 Requested at the ASC of 06.12.17 to go to CSPCG – KD requested that this be on the next mtg Requested by Mod.gov project team

CORPORATE SERVICES POLICY AND CHALLENGE GROUP (CSPCG) PROGRAMME OF WORK 2018/19

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
21 June 2018	• Election of Vice Chair • Terms of Reference • Minutes of Shared Service IT Governing Body *(under Communications)* • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2017/18 Year End Report and Programmes to date • Treasury Management Annual Report 2017/18 • Asset Management Plans – ICT and Fleet • Efficiency Plan • Corporate Risk Register • Work Programme 2018/19		Note on GDPR to be provided – deferred from March 2018 ICT structure and recruitment issue – deferred from March 2018	Requested at the ASC of 06.12.17 to go to CSPCG Briefing meeting held 21.11.17

Meeting Date	'Cyclical' Agenda Items		Additional/Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
13 September 2018	• Minutes of Shared Service IT Governing Body *(under Communications)* • Revenue Budget and Capital Programme Monitoring 2018/19 • 2019/20 Revenue Budget and Capital Programme (Planning Arrangements) • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2018/19 Quarter 1 and Programmes to date • Annual Review of the Operation of ICT Shared Service Agreement' • Asset Management Plans - Property • Corporate Risk Register • Work Programme 2018/19			

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
27 November 2018	• Minutes of Shared Service IT Governing Body *(under Communications)* • Revenue Budget and Capital Programme Monitoring 2018/19 • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2018/19 Quarter 2 and Programmes to date • Treasury Management Mid Year Review Report • Review of Corporate Services Policy and Challenge Group Effectiveness • Corporate Risk Register • Work Programme 2018/19			

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