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BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Councillor F Chapman
Councillor P Duckett
Councillor M Headley
Councillor D McVicar
Councillor M Riaz
Councillor Y Waheed

A meeting of **Corporate Services Policy and Challenge Group** will be held at **Conference Room, Fire and Rescue Service Headquarters, Kempston, Bedford MK41 7NR** on **Tuesday, 14 March 2017** starting at **10.00 am.**

Karen Daniels
Service Assurance Manager

A G E N D A

Item	Subject	Lead	Purpose of Discussion
1.	Apologies		
2.	Declarations of Disclosable Pecuniary and Other Interests	Chair	Members are requested to disclose the existence and nature of any disclosable pecuniary interest and any other interests as required by the Fire Authority's Code of Conduct.
3.	Communications (including Minutes of recent ICT Shared Service Governing Body)		
4.	Minutes		* To confirm the Minutes of the meeting held on 6 December 2016 (Pages 1 - 8)

Item	Subject	Lead	Purpose of Discussion
5.	Corporate Services Performance 2016/17 Quarter 3 and programmes to date	ACO	* To consider a report (Pages 9 - 22)
6.	Proposed Corporate Services Indicators and Targets for 2017/18	ACO	* To consider a report (Pages 23 - 34)
7.	New Internal Audit Report Completed to date	ACO	* To consider a report (Pages 35 - 98)
8.	Audit and Governance Action Plan Monitoring Report	ACO	* To consider a report (Pages 99 - 106)
9.	Treasury Management Strategy and Practices	HFT	* To consider a report (Pages 107 - 210)
10.	Corporate Risk Register	HPSBS	* To consider a report (Pages 211 - 216)
11.	Review of Work Programme	HFT	* To consider a report (Pages 217 - 226)
	Next Meeting		10.00 am on 21 June 2017 at Conference Room, Fire and Rescue Service Headquarters, Kempston, Bedford MK41 7NR

DECLARATIONS OF INTEREST

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

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

MINUTES OF CORPORATE SERVICES POLICY AND CHALLENGE GROUP MEETING HELD ON 6 DECEMBER 2016

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

CFO Fuller, ACO Z Evans, AC C Ball, Mrs A Ashwood and Mr G Chambers

16-17/CS/027 Apologies

There were no apologies.

16-17/CS/028 Declarations of Disclosable Pecuniary and Other Interests

There were no declarations of interests.

16-17/CS/029 Communications

There were no communications.

The Chair reported that there had been no meetings of the ICT Shared Service Governance Board since the last meeting of the Group.

16-17/CS/030 Minutes

RESOLVED:
That the Minutes of the meeting held on 14 September 2016 be confirmed and signed as a true record.

16-17/CS/031 Corporate Services Performance 2016/17 Quarter 2 and Programmes to Date

ACO Evans submitted the performance report for Quarter 2 of 2016/17 and gave an update on the programmes within the Group's remit. All projects were on target with the exception of the HR & Payroll System and Telephony System Replacement, which were both reporting as amber.

The completion date for the HR and Payroll System had been postponed to January 2017 as there were number of issues that had been escalated to the service provider and had not yet been resolved. The delay would incur additional expenditure of approximately £30,000 and a request to amend the Capital Programme accordingly was included in the report on Revenue Budget and Capital Programme Monitoring 2016/17 (Minute 16-17/CS/033 below). The costs related to consultancy and project management support for an additional two months.

The Telephony System Replacement project had been delayed as a result of ongoing work on the Replacement Mobilising System and the rollout of Virtual Desktop Infrastructure.

Mrs A Ashwood, Head of Strategic Support, advised that the greatest need was for the Training Centre, as currently there were not enough telephone lines to meet the level of need. The procurement was currently underway and the Government's Digital Marketplace would be used which would expedite the process. It was anticipated that the part of the project relating to the training centre would be completed in January 2017, which a full roll-out in March 2017. The new system would also provide functionality for instant messaging and video conferencing to improve connection across the Service.

ACO Evans reported on the performance indicators for the second quarter of 2016/17. All fleet and workshop indicators were green for the quarter. These were new indicators for the 2016/17 and would need to be reviewed when Members set the targets for 2017/18 at the Group's next meeting. All ICT indicators, with the exception of IM1 (the number of incidents on mission critical services resolved within 1 hour) were also green.

Three incidents had been identified as mission critical within the reporting period. Two of these incidents had been resolved within the hour. The third incident related to a Ransom Ware Cryptoware virus which took significantly longer than normal to resolve as the virus had to be isolated and the rest of the system swept to ensure that it was clear.

Members suggested that the target for this indicator should be reviewed at the target-setting meeting as, given the small numbers involved, one incident could have a significant impact on the performance figures reported. As this was not core business for the Service, a lower target could be considered.

The view was expressed that human nature was the greatest vulnerability to the spread of a virus and that communications were being circulated to staff to remind them to report any unusual activity on their electronic devices immediately so that viruses could be isolated as quickly as possible.

Mr G Chambers, the Head of Finance and Treasurer, reported on the finance indicators. FNP5 (percentage of uncontested invoices paid within 30 days) had missed target by only 1%.

FNP6 (percentage of outstanding debt over 90 days old) had missed its target and was reporting as red for the quarter. The Head of Finance and Treasurer advised that the Service was now much more robust in charging for its attendance where this was applicable. The total of outstanding debt as at 30 September 2016 was £18,483.27 with £2,909.94, or 15.74%, being over 90 days old. Of the debts in excess of 90 days old, two were being pursued through the small claims court involving bailiffs, one was currently under negotiation of repayment terms and one had been paid.

It was noted that the performance against FNP6 was also significantly affected by a small number of cases and that the target for this indicator should also be reviewed.

RESOLVED:

1. That the progress made on Corporate Services Programmes and Performance be acknowledged.
2. That consideration be given to amending the targets for IM1, FPN6 and the fleet and workshops indicators for the 2017/18 performance year at the Group's next meeting.

16-17/CS/032 Audit and Governance Action Plan Monitoring Report

ACO Evans introduced the report on progress made to date against current action plans arising from internal and external audit reports and from the Fire Authority's 2015/16 Annual Governance Statement.

All actions were currently in progress and no extension requests had been received.

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

16-17/CS/033 Revenue Budget and Capital Programme Monitoring 2016/17

Mr G Chambers, the Head of Finance and Treasurer, submitted the forecast year-end budget monitoring position as at 30 September 2016. He reported that the current forecast non-salary underspend was £43,000 with a forecast salary underspend of £384,000. The salary underspend was largely a result of a reduced firefighters pay award and Retained Duty System vacancies. The total forecast underspend was £427,000.

In relation to the Capital Programme, the review of mobile working and mobile assets was reporting as amber as the majority of this work would be undertaken in 2017/18. The other projects rated as amber were vehicle spend, as this was fluid through the year, the extension and redesign of the BA Technician and Technical Technician workshop, as this project was being scaled down, and the HR and Payroll System which was discussed earlier in the meeting (Minute 16-17/CS/031 refers).

In response to a question from the Chair on the reasons why the half-year salary spend on Control staff was more than half the projected annual spend, ACO Evans advised that this information could be sent to the Chair outside of the meeting.

RESOLVED:

1. That the forecast outturn for the revenue budget and the Capital Programme be received.
2. That the Fire and Rescue Authority be recommended to approve additional capital funding for the HR system project.

<u>16-17/CS/034 Treasury Management Mid Year Review Report to 30 September 2016</u>

Mr G Chambers, the Head of Finance and Treasurer, presented the treasury management mid-year review. The report included a review of the Treasury Management Strategy Statement and Annual Investment Strategy, the Authority's capital expenditure, the Authority's investment portfolio and borrowing strategy, a review of compliance with Treasury and Prudential Limits and an economic update for the first six months of 2016/17.

The amount outstanding on loans from the Public Works Loan Board was £10.087 as at 30 September 2016. No debt rescheduling had been undertaken during the first six months of 2016/17.

The Authority was on target to achieve just under £100,000 in interest on its investments for the 2016/17 financial year.

The Head of Finance and Treasurer drew Members' attention to the average interest rate achieved by the Authority's investments. This was 0.78%, which was higher than the average Local Authority 7 Day Rate over the same period of 0.32%.

It was noted that the Bank of England base rate was now forecast to remain at 0.25%.

RESOLVED:
That the report be acknowledged.

16-17/CS/035 Review of Corporate Services Policy and Challenge Group Effectiveness

The Policy and Challenge Group considered the following overarching questions:

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

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

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

During consideration of these questions, the Service Efficiency Plan was highlighted as an area that would benefit from greater Member scrutiny.

The view was also expressed that, generally, the work programme appeared to be Officer-led and that Members should be more proactive in initiating reviews and requesting additional reports. Recent examples of this included reports on the charging for use of community facilities and utility usage at the Service's fire stations.

The Group agreed that Members should receive refresher training on treasury management at an appropriate point. It was acknowledged that Members could identify areas for training and development at any time.

RESOLVED:
That the discussion of the Group's effectiveness as set out in this Minute be fed into the facilitated meeting to be held on 17 January 2017 to review the Fire Authority's effectiveness in 2016/17.

16-17/CS/035 Corporate Risk Register

Mrs A Ashwood, Head of Strategic Support, presented the update on the Corporate Risk Register.

The Chair drew Members' attention to the Appendix of the report which set out all the risks within the Group's remit.

The Head of Strategic Support advised that there was one update to a risk within the Corporate Services area. The risk in relation to CRR029 (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) had been reduced from 9 to 6 as a result of a positive audit of communications. Work was also commencing on the refresh of the website.

A Member referred to comments made by staff during the Member visit to Leighton Buzzard Community Fire Station and suggested that good communication was of importance ACO Evans replied that internal communications within any organisation with satellite offices would always be a challenge. The Service recognised the importance of effective internal communication and this was an area that was always included in staff surveys. She advised that the Blue Bulletin seemed to be the most popular form of communications amongst staff, except that of face to face, and that a cultural shift was required to maximise the use of technology to improve communications.

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

16-17/CS/036 Work Programme 2016/17

Members received the Group's Work Programme for 2016/17. The Chair reminded Members that they had the opportunity to add items to the Group's work programme. He suggested that the forthcoming investment in the Service's servers and other ICT infrastructure be added to the Group's work programme.

ACO Evans reported that this was Mrs A Ashwood's last meeting as she was leaving the Service in the New Year, and thanked her for her contribution to the Corporate Services Policy and Challenge Group.

RESOLVED:

1. That the Work programme be agreed, subject to the addition of a report on the investment in the Service's servers and other ICT infrastructure.
2. That Mrs A Ashwood be thanked for her work and support to the Group in her role as Head of Strategic Support and be wished all the best for the future.

The meeting finished at 10.55am.

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
14 March 2017
Item No. 5

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

SUBJECT: **CORPORATE SERVICES PROGRAMME AND PERFORMANCE 2016/17 - QUARTER THREE (APRIL TO DECEMBER 2016)**

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

Background Papers:

Previous Corporate Services Quarterly Programme and Performance Summary Reports

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Implications (tick ✓):

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

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

PURPOSE:

To provide the Corporate Services Policy and Challenge Group with a report for 2016/17 Quarter 3, detailing:

1. Progress and status of the Corporate Services Programme and Projects to date.
2. A summary report of performance against Corporate Services Performance indicators and associated targets for Quarter Three 2016/17 (1 April 2016 to 31 December 2016).

RECOMMENDATION:

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

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1. <u>Programmes and Projects 2017/18</u>

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

1.3 Full account of the financial implications of the Corporate Services programme for 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 Shared Services/Collaborative working opportunities are now gaining momentum with 6 workstreams active and one of the Pilot studies now in the evaluation phase for transfer to business as usual.

1.5 Stage 2 Virtual Desktop Infrastructure (VDI) (an ICT Shared Service joint project with Cambridgeshire Fire and Rescue Service) is now complete and has become “Business as Usual” for 73% of staff. The migration of remaining mobile users who fell outside the original scope or who were deferred for other business reasons (eg Control, HR and Payroll teams) is underway; complex users will be the subject of a separate project to review mobile working commencing in Q4 16/17 once the new Head of ICT and Corporate Projects is in post.

1.6 Changes in the Business Systems and Process Improvement Programme are summarised as follows:

- The **Service Website Project** has now begun, with the Options Appraisal completed, and opportunity for collaboration with Central Bedfordshire Council now selected as the preferred option. Detailed planning for delivery is now underway, and the project duration is expected to be circa 9 months.
- The **HR and Payroll Project** has successfully gone live on 16 February 2017, with iTrent as the primary Payroll system.

1.7 Exception reports relating to the Service’s Strategic Projects is shown at paragraph 2.

1.8 Other points of note include the following:

- The Corporate Management Team monitors progress of the Strategic Projects monthly. The Strategic Programme Board reviews the Programme at least twice a year with the next Programme Board review scheduled for 14 April 2017.

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

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

2. Programme Summary and Exception Reports

2.1 The Unified Comms Project (Telephony Systems replacement) rollout has now been initiated, and it is expected to appoint a supplier by mid-March, following which an implementation plan will be agreed with the supplier. It is now looking unlikely that rollout will be completed by the end of March 2017, but the BFRS Training Centre will be given full priority.

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 2016/17 which covers the period April 2016 to December 2016. Performance is shown in Appendix B. The indicators and targets included within the report are those established as part of the Authority's 2016/17 planning cycle.

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

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

4. Performance Summary and Exception Reports

All performance indicators are on target with the exception of:

4.1 IM1 The Number of Incidents on Mission Critical services resolved within 1 Hour

As previously reported the culmative total target was missed due to 3 calls logged as Mission Critical during Q2. Two were fixed within the SLA - the other one dealt with a Ransome Ware Cryptoware virus which took significantly longer than normal to resolve.

4.2 FNP5 Percentage of Uncontested Invoices Paid Within 30 days

The target for the quarter was missed by 1%, we will continue to monitor this over the next quarter. The budget managers that do not meet the invoice payment date deadline will be reminded to process their invoices on time.

4.3 FNP6 Percentage of Outstanding Debt Over 90 Days Old

The total of outstanding debt as at 31 December was £59,764.24 with £1,258.86 or (2.11%) being over 90 days old. The majority of the remaining balance (£43,150.80) relates to invoices raised at the end of December for IT Shared Services with Cambridgeshire Fire and Rescue Authority and the Home Office (£5,015.68).

In December it was reported that the total of outstanding debt as at 30 September was £18,483.27 with £2,909.94 or (15.74%) being over 90 days old. Of this debt in excess of 90 days old, two are being pursued through the small claims court involving bailiffs, one is currently under negotiation of repayment terms and one debt of £507 has now been paid.

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.	**Green** **Green** **Green** **Green** **Not started**	**Gazeteer** The management of the Property Gazeteer service provided by Cambridgeshire FRS has now gone into BAU. **Exeter Data** A new release of Exeter data has been received from the NHS. This data identified addresses where a resident is aged over 65 and registered with a GP. The data is used by Community Safety as part of their risk evaluation for identifying properties for Safe and Well visits. The new data set is being matched to the Gazeteer prior to migration to the Community Safety database. **Asset Management** The Asset Tracking Project Team has met with Cambridgeshire FRS who are in the process of implementing MiQuest Asset Tracking System. BFRS Tender will be updated to reflect the lessons learnt from Cambridgeshire Fire and Service experiences. **Prevention and Protection Management System** An ITT has been issued and tenders received from three vendors. These are now being evaluated and the procurement is on track for the target completion date of 31 March 2017. **Retained Availability Software – payroll integration** Due to the level of complexity in multiple systems integration, the integrations to the new HR and Payroll system iTrent (for payroll) are on hold, pending completion of delivery of the HR and Payroll system.

Project Description	Aims	Performance Status	Comments
Business Systems Improvement (cont…)		**Green**	**HR and Payroll System** The decision was made at the December project Board to defer the planned Go Live from January to February 2017, due to the amount of work to complete User Acceptance testing (UAT), and the requirement to do this some of the UAT work again following a system upgrade to the latest version of iTrent in early February (a mandatory upgrade to meet mandatory HMRC Payroll changes taking effect on 6 April). Following completion of a successful Parallel Run, the decision to go live with Payroll in iTrent as the primary system was taken on Thursday 16th February, and the switchover of the General Ledger link to HMRC has now taken place to enable the February Payroll to be reported from Midland HR. During the intervening period, the Project team has concentrated on preparation for the final Parallel run: finalising working patterns and holiday schemes, ironing out system configuration issues and UAT, finalising the electronic payslip, creating bespoke reports, consolidating HR and Payroll teams' training, preparing training materials for Employee Self Service and People Manager, and delivery of a Service-wide Communications Plan. Work continues on building the data flows to take core data from iTrent into MIS, and for handling sickness absence. A plan is in place to deliver a working solution in Workbench in the summer. The backstop position is the Business Information Team double-key to maintain MIS in the interim. David Varley, Service Delivery Director from MHR is now attending every Project Board, to ensure that the project continues to run smoothly. There will be a ‘bedding down’ period before commencement of Phase 2 (expected to start in the Autumn), to enable the teams to finalise post go live activities, and to become completely familiar with the core system before enhancement with additional modules.

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**	**20 February 2017 - WorkBench** Working with partner FRS to set up a virtual development team made up of resources from each partner, the initial outputs have gone live. The aim was to create applications that could be configured to meet the needs of each partner, enabling or disabling features as required locally. Property Defect Reporting was selected as the initial proof of concept application at BFRS and went live in December. Safe and Well visit management was then built for Community Safety. This application allows high risk addresses, based upon Exeter data, to be assigned to technicians and the outcomes of those visits to be recorded and reported. Work is now going on to develop a Sickness Absence application that integrates with the new HR system, iTrent as well as MIS, with the aim of eliminating duplication of effort recording sickness in multiple business systems.
Telephony System Replacement (Unified Comms)	Replacement of existing business Telephony system, including main switchboard, to a network (VOIP) system. This will provide unified communications for voice and data, ie traffic goes down the same 'pipe'. Users will be able to access the same facilities on desk phones and computers. This excludes Control Room communications:	**Amber**	The Unified Comms project is now being run by ICT Shared Services as a joint project for both Bedfordshire and Cambridgeshire FRS, and has been re-baselined. The project is in the Initiation Stage. Procurement of consultancy for design and implementation of the system is well underway and we will have a supplier appointed by mid-March. At this point we will firm up the implementation approach and timescales, with priority for implementation still being the BFRS Training Centre. We have identified some enabling work that needs to be done prior to implementation and are currently carrying out this work.

Project Description	Aims	Performance Status	Comments
	ICCS and Mobs.		
Community Defibrillators	Sponsor and deliver community located defibrillators.	**Green**	**February 2017** BFRS continues to support the deployment of community defibrillators including the introduction of a programme of monitoring to ensure they remain available for use according to the responsibilities outlined in the MOUs. The local councils are no longer able to supply funding to assist with this project. A pack has been developed in conjunction with The Community Heart Beat trust which identifies others ways to fund the purchase of AED's. We have received some interest in the last few months and the packs have been sent out. This has resulted in a couple of expressions interest. The 2013 AED's are now reaching the four year point in their cycle. Throughout this year they will require new batteries and pads. The funding is available for these replacements. These are being replaced as required.

Project Description	Aims	Performance Status	Comments
Desktop Refresh (VDI)	All principle business systems will be packaged onto the Virtual Desktop server. Users to receive their virtual desktop from a central Server. Aim is to improve flexibility of working location, optimise data flows on the networks, increase resilience by removing local machines, reduce desk-side technical support by removing physical PCs, and provide the facility to stream good quality video.	**Green**	VDI has now become business as usual for the majority of staff with 443 users now migrated (out of 608). The migration of Control, HR and Finance staff is planned to take place in the next period, when the implementation of the new HR system has been completed. This approach was chosen to avoid over-burdening staff with business change. More users are now experiencing the anticipated benefits of an improved user experience, particularly when accessing systems remotely. Mobile user requirements will be reviewed as part of the Review of Mobile Working capital project which is expected to begin in Q4 2016/17. Following recent specification and price changes announced by the hardware manufacturer there is an opportunity for purchase of additional end point computers to meet the Service's planned needs in the forthcoming period, avoiding additional costs and possible implementation issues.
Website Procurement and Development	Develop a new modern website that fully complies with accessibility standards, and enables dynamic interaction with the public and local businesses (self service).	**Green**	Bedfordshire Fire and Rescue Service website is now 12 years old. The aspiration is for a completely new, modern website to be established by the end of May 2017. A budget of £55,000 has been allocated for this purpose. Since September 2016 the Service has been exploring the best options to establish a new website: 1) G Cloud: investigated in November 2016, this option has been discarded due to the slow progress of the Police's procurement process and complexity of their specification. 2) Collaboration with Central Beds Council (CBC): CBC has the facility to create a 'micro-site' that could be used as BFRS's new website. This has already been done for a multi-agency health website. Preliminary investigation

Project Description	Aims	Performance Status	Comments
			has established that CBC has a well-established and stable infrastructure, and could create, upload, host and manage a new BFRS website within 5-6 months within available budget. *Future Revenue Costs*: Further development will be required to meet the aspirations of the Service for self-service Home Fire Safety Checks and other as yet unspecified self-service tasks. Run-on costs also include hosting, support and maintenance of the website infrastructure, routine maintenance, development support, and website recovery. A revenue budget will be required to ensure the continued maintenance and development of the website annually.

SUMMARY OF CORPORATE SERVICES PERFORMANCE 2016/17 – QUARTER 3

Information and Communications Technology									
Measure				2016/17 Quarter 3					
No.	Description	Aim	Full Year Target	Five Year Average	Q3 2015/16	Q3 Actual	Q3 Target	Performance against Target	Comments
IM1	The Number of Incidents on Mission Critical services resolved within 1 Hour	Higher is Better	98%	n/a	100%	89%	98%	Amber	Missed target by 11%
IM2	The Number of Incidents on Business Critical services resolved within 2 Hours	Higher is Better	96%	n/a	100%	100%	96%	Green	4% Better than target
IM3	The Number of Incidents on Business Operational services resolved within 4 Hours	Higher is Better	90%	n/a	99%	100%	90%	Green	11% Better than target
IM4	The Number of Incidents on Administration Services resolved within 8 Hour	Higher is Better	90%	n/a	94%	92%	90%	Green	2% Better than target
AV1	Core ICT services availability	Higher is Better	97%	n/a	100%	100%	97%	Green	3% Better than target
AV2	Business Applications Availability	Higher is Better	97%	n/a	100%	100%	97%	Green	3% Better than target

Fleet and Workshops									
Measure				2016/17 Quarter 3					
No.	Description	Aim	Full Year Target	Five Year Average	Q3 2015/16	Q3 Actual	Q3 Target	Performance against Target	Comments
WS1a	Grade A Defect Response Time (within 1 hour)	Higher is Better	90%	n/a	96.58%	90.87%	90%	Green	1% Better than target
WS1b	Grade A Defect Response Time (within 2 hours)	Higher is Better	95%	n/a	100.00%	97.42%	95%	Green	3% Better than target
WS2a	The percentage of time when Rescue Pumping Appliances were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Lower is Better	5%	n/a	2.54%	2.47%	5%	Green	51% Better than target
WS2b	The percentage of time when Aerial Ladder Platforms & SRU were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Lower is Better	5%	n/a	3.85%	3%	5%	Green	45% Better than target
WS2c	The percentage of time when other operational appliances were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Lower is Better	3%	n/a	0.67%	0.51%	3%	Green	83% Better than target
WS4	The number of hours as a percentage the appliance is unavailable for operational response in the reporting period, other than for the time measured under the turn-a-round time. (Idle time)	Lower is Better	2%	n/a	0.52%	1.05%	2%	Green	48% Better than target
WS5	The total time expressed as a % when ALL Appliances were available for operational use after the turn-a-round time and idle time are removed from the total time in the reporting period.	Higher is Better	93%	n/a	97%	98%	93%	Green	5% Better than target
WS6	Annual Services undertaken	Higher is Better	100%	n/a	100%	100%	100%	Green	Met target

Finance									
Measure				2016/17 Quarter 3					
No.	**Description**	**Aim**	**Full Year Target**	**Five Year Average**	**Q3 2015/16**	**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	Met target
FNP5	**Percentage of Uncontested Invoices Paid Within 30 days**	Higher is Better	97%	95%	96%	96%	97%	Amber	Missed target by 1%
FNP6	**Percentage of Outstanding Debt Over 90 Days Old**	Lower is Better	1.5%	4.67%	0.23%	2.11%	1.5%	Red	Missed 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.*

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
14 March 2017
Item No. 6

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

SUBJECT: **PROPOSED CORPORATE SERVICES INDICATORS AND TARGETS FOR 2017/18**

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 2017/18 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 2017/18 and endorse or require adjustment as appropriate.

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1. <u>Introduction</u>

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

1.1 The Corporate Services Policy and Challenge Group are involved in the process of agreeing the suite of performance indicators and of setting the associated targets. This should take place, as far as practicable, alongside the annual budget setting, medium-term financial planning and strategic project planning processes. The Group's Work Programme for the current financial year therefore included this as an item for its meeting in March 2017.

1.2 This report advises the Corporate Services Policy and Challenge Group of the proposed measures and targets for 2017/18 which are contained in Appendix A.

1.3 The targets have been set taking account of Service plans, projects and budgetary allocations for 2017/18. The key considerations relevant to each area are outlined in the remaining sections of this Report. In addition, relevant external benchmarking and previous baseline performance data are detailed in the tables for each Indicator in Appendix A, alongside the associated Target Setting Rationale.

2 Notes

2.1 **ICT** - In 2014/15 the newly formed ICT Shared Service introduced a wide ranging programme of change, adopting best practice and process controls. ICT Performance has shown a steady improvement as the practices and controls were introduced, achieving or exceeding performance targets across the suite of ICT indicators in 2015/16 and 2016/17. In 2016/17 the Virtual Desktop Infrastructure was rolled out, delivering an improved user experience and bringing about a change in the way user IT is supported. For 2017/18 we are maintaining targets to get a good benchmark whilst ensuring that performance measures are not skewed by low numbers of incidents. This builds on the foundation work done in 2016/17, in preparation for a review of the measures and targets in 2018/19 reflecting the new technologies introduced and anticipated.

2.2 **Property** - A report was previously presented to the Corporate Services Policy and Challenge Group (CSP&CG) in December 2014, proposing to cease the use of external property benchmark indicators. These had been created as part of a pilot that had ended and the report introduced new local station based indicators. This approach was agreed at that meeting. Following on from this, the property performance indicators for 2017/18 will be based on using the 2015/16 and 2016/17 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 2016 post the year end when all of the data is available.

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

Proposed Corporate Services Performance Indicators and Targets for 2017/18

FINANCE								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**Benchmark Performance Data**	**BFRS Baseline Performance**	**BFRS Target 2016/17**	**BFRS Target 2017/18**	**Target Setting Rationale**
FNP1	Budget requirement of Fire and Rescue Service (£ per 1,000 population) **Performance Indicator to be used for information only**	Annual Budget	Annually	N/A	2010/11 £41.90 2011/12 £47.29 2012/13 £44.33 2013/14 £45.45 2014/15 £45.43 2015/16 £44.82 2016/17 £45.01 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).
FNP2	Accuracy of net budget forecast outturn at periods 6 & 9 (Sept and Dec) against actual outturn - variance between forecast and actual outturn	Value for Money Indicator P13	Annually	Target was met in previous year's outturn, compared to estimates at prior periods.	2011/12 Per 9 £185k 2011/12 Per 12 £42k 2012/13 Per 9 £560k 2012/13 Per 12 £351k 2013/14 Per 9 £22k 2013/14 Per 12 £70k 2014/15 Per 9 £89k 2014/15 Per 12 £7k 2015/16 Per 6 £261k 2015/16 Per 9 £76k	Less than £600,000	Less than £600,000	The Audit Commission use a 2% materiality limit when auditing the accounts, so this has been applied to our budget requirement, and identifies the target as £600,000.
FNP3	Percentage of routine financial reports distributed within 6 working days of period-end closure	Value for Money Indicator P12	Quarterly	To date, apart from 2012/13 where IT matters prevented this, all met.	2008/09 100% 2009/10 100% 2010/11 100% 2011/12 100% 2012/13 91.67% 2013/14 100% 2014/15 100% 2015/16 100%	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%.

Proposed Corporate Services Performance Indicators and Targets for 2017/18

FINANCE Contd								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**Benchmark Performance Data**	**BFRS Baseline Performance**	**BFRS Target 2016/17**	**BFRS Target 2017/18**	**Target Setting Rationale**
FNP4	Compliance of annual statement of accounts processes with statutory timescales and quality criteria	CPA/CAA Use of Resources Assessment and CIPFA Benchmarking	Submitted annually following Approval of Accounts post-Audit by the end September each year. Statutory Benchmark performance is: 1. Submission of Accounts for Audit by end of June. 2. Subject to unqualified External Audit Opinion		2009/10 100% 2010/11 100% 2011/12 100% 2012/13 100% 2013/14 100% 2014/15 100% 2015/16 100%	100%	100%	Aim to achieve continuing compliance with all statutory timescales and quality criteria.
FNP5	Percentage of uncontested invoices paid within 30 days	Best Value Performance Indicator 8	Quarterly	It is anticipated that the 16/17 target of 97% may not be achieved.	2009/10 86.6% 2010/11 91% 2011/12 93% 2012/13 94% 2013/14 96% 2014/15 96% 2015/16 96% 2016/17 97%	97%	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	Value for Money Indicator S18	Quarterly	Aim to minimise the extent of debt over 90 days old. Ideally there would be no such debt but there are instances where this cannot be achieved despite appropriate recovery action.	2008/09 9.25% 2009/10 17.96% 2010/11 22.6%. 2011/12 6.47% 2012/13 0.94% 2013/14 1.22% 2014/15 0.79% 2015/16 1.5% 2016/17 TBA	Less than 1.6%	Less than 2.5%	Target has been increased in 2017/18 to take into account the effect of the increase in Special Services invoices.

Proposed Corporate Services Performance Indicators and Targets for 2017/18

FINANCE Contd								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**Benchmark Performance Data**	**BFRS Baseline Performance**	**BFRS Target 2016/17**	**BFRS Target 2017/18**	**Target Setting Rationale**
FNP7	Percentage of annual planned efficiency savings achieved by year end	Local	Annually	100% or more achieved since 09/10	2008/09 68.29% 2009/10 135.95% 2010/11 185.12% 2011/12 100% 2012/13 100% 2013/14 100% 2014/15 100% 2015/16 100% 2016/17 83%	100%	100%	Aim to achieve total of budgeted efficiency target within 2017/18.
FNP8	Return on investment	Actual interest rate achieved	Annually	N/A	2013/14 1.36% 2014/15 0.93% 2015/16 0.84% 2016/17 TBA	0.90%	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£.

Proposed Corporate Services Performance Indicators and Targets for 2017/18

INFORMATION AND COMMUNICATION TECHNOLOGY								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**Benchmark Performance Data**	**BFRS Baseline Performance**	**BFRS Target 2016/17**	**BFRS Target 2017/18**	**Target Setting Rationale**
ICT1	User Satisfaction		Annual	Better than ICTSS 60.2% starting benchmark set by earlier survey.	2014 60.73% 2015 67.5% 2016 Survey will take place in March and results will be available for year end.	70%	70%	Performance improving from inception of ICT Shared Service although target of 70% still to be achieved.
IM1	The Number of Incidents on Mission Critical services resolved within 1 Hour	Joint Catalogue of Services	Quarterly	Catalogue of Services SLA. All Mission Critical, Priority A and B Incidents resolved within 1 hour.	2014/15 100% 2015/16 100% 2016/17 83% (1st ¾) 1 Mission Critical incident – an antivirus breakout in Control which was reported as Mission Critical A – our response time of 15 minutes was achieved, but the resolution took longer than 30 minutes due to the complexity of resolution. This is why IM1 is showing red.	98%	80%	Resources are diverted from other incidents and work to deal with Mission Critical Services incidents. Target lowered 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 original target of 90% target.

Appendix A

Proposed Corporate Services Performance Indicators and Targets for 2017/18

INFORMATION AND COMMUNICATION TECHNOLOGY Continued								
IM2	The Number of Incidents on Business Critical services resolved within 2 Hours	Joint Catalogue of Services	Quarterly	Catalogue of Services SLA. All Business Critical, Priority A and B Incidents resolved within 2 hours.	2014/15 92% 2015/16 100% 2016/17 100% (1st ¾)	96%	96%	Performance has exceeded target since 2014/15. The 17/1 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.
IM3	The Number of Incidents on Business Operational services resolved within 4 Hours	Joint Catalogue of Services	Quarterly	Catalogue of Services SLA. All Business Operational, Priority A and B Incidents resolved within 4 hours.	2014/15 92% 2015/16 100% 2016/17 100% (1st ¾)	90%	90%	

Proposed Corporate Services Performance Indicators and Targets for 2017/18

INFORMATION AND COMMUNICATION TECHNOLOGY Continued								
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**		**BFRS Baseline Performance**	**BFRS Target 2016/17**	**BFRS Target 2017/18**	**Target Setting Rationale**
IM4	The Number of Incidents on Administration Services resolved within 8 Hour	Joint Catalogue of Services	Quarterly	Catalogue of Services SLA. All Administration I Priority A and B Incidents resolved within 8 hours.	2014/15 88% 2015/16 94% 2016/17 92% (1st ¾)	90%	90%	The highest proportion of incidents fall into this category. The anticipated draw on resources to support priority projects throughout 2017/18 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	Catalogue of Services Core ICT availability median 98%	2014/15 97% 2015/16 100% 2016/17 100% (1st ¾)	97%	97%	Target meets the agreement for levels of Service from ICT.
AV2	Business Applications Availability	Joint Catalogue of Services	Quarterly	Catalogue of Services Core ICT availability median 98%	2014/15 97% 2015/16 100% 2016/17 99% (1st ¾)	97%	97%	Target meets the agreement for levels of Service from ICT.

Proposed Corporate Services Performance Indicators and Targets for 2017/18

FLEET & WORKSHOPS						
Ref	**Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2016/17**	**BFRS Target 2017/18**	**Target Setting Rationale**
WS1a	Grade A Defect Response Time (within 1 hour)	Quarterly	2014/15 93% 2015/16 91%	90%	90%	Targets to remain the same as last year, this is the third full year of these measure
WS1b	Grade A Defect Response Time (within 2 hours)	Quarterly	2014/15 97% 2015/16 97%	95%	95%	
WS2a	The percentage of time when Rescue Pumping Appliances were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Quarterly	2014/15 2.49% 2015/16 2.47%	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%	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%	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%	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%	93%	93%	
WS6	Annual Services undertaken	Quarterly	2014/15 100% 2015/16 100%	97%	97%	

Proposed Corporate Services Performance Indicators and Targets for 2017/18

PROPERTY						
Ref	**Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2016/17**	**BFRS Target 2017/18**	**Target Setting Rationale**
Pr01	Total Electricity Consumption	Annual	2013/15 1164441 (KWh) [ave] 2015/16 1332505 (KWh)	n/a	TBA	Targets to be based on best of last two years to be advised at June P&C Group meeting
Pr02	Total Gas Consumption	Annual	2013/15 57450 (KWh) [ave] 2015/16 56798 (KWh)	n/a	TBA	
Pr03	Total Water Consumption	Annual	2013/15 8176 (M^3) [ave] 2015/16 8204 (M^3)	n/a	TBA	

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
14 March 2017
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 2016/17 to 2018/19

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.

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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 There are no internal audit reports to be presented in this period. Two audits have been completed and the reports are in preparation as follows:

- Fleet Management (completed on 30 August 2016; report finalised on 29 November 2016) (Appendix A). Conclusion: Amber – Reasonable Assurance.
- Stock and Inventory (completed on 30 September 2016; report finalised on 5 December 2016) (Appendix A). Conclusion: Amber – Reasonable Assurance.
- Risk Protection Pool (Joint report with Cambridgeshire and Essex FRS) (Completed on 18 November 2016; report finalised on 4 January 2017). Conclusion: Amber – Reasonable Assurance.

- Key Financial Controls (completed on 2 December 2016; report finalised on 8 February 2017) (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 2017 for on-going monitoring by the Policy and Challenge Group.

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

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

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BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Stock and Inventory

FINAL

Internal Audit Report: 3.16/17

5 December 2016

CONTENTS

Debrief held	30 September 2016	**Internal Audit team**	Dan Harris, Head of Internal Audit Suzanne Lane, Senior Manager Lee Hannaford, Assistant Manager Rahi Rahman, Internal Auditor
Additional information received	11 November 2016		
Draft report issued	18 November 2016		
Responses received	5 December 2016		
Final report issued	5 December 2016	**Client sponsor**	Gavin Chambers, Head of Finance and Treasurer
		Distribution	Gavin Chambers, Head of Finance and Treasurer

1 EXECUTIVE SUMMARY

1.1 Background

An audit of Stock and Inventory at Bedfordshire Fire and Rescue Authority was undertaken as part of the approved internal audit plan for 2016/17.

The sample of departments selected as part of this review was as follows:

- Technical;
- Stores;
- Community Safety;
- Transport;
- ICT.

The Authority uses the Great Plains (GP) system for recording and managing stock levels for all departments other than the Transport department, which use the MIS system to manage their stock. In addition whilst the majority of BFRS stock is recorded and managed on GP ICT, Catering, Training and Hydrants also buy materials that are not recorded on GP. A year-end stock take is performed by each of the five departments as part of the year end accounting processes.

Interim stock and inventory checks are only performed by the ICT department, and all ICT assets have been reviewed as part of the Authority’s Virtual Desktop Infrastructure (VDI) roll out, which required replacing current ICT assets with new and improved hardware and software. This took place in June 2016 at the Authority’s Headquarters and all Whole-time and Retained stations.

1.2 Conclusion

Our review identified two gaps in the control framework for stock and inventory management. In particular, we found the Service do not currently have in place a stock and inventory policy setting out the type of stock they hold and the procedures to be followed with regards to receiving, reconciling, and using stock and inventory in different departments. Through testing we were also unable to reconcile stock items to what was recorded on the Great Plains system for the Technical department related stock. These issues have contributed to the reasonable assurance opinion.

Internal Audit Opinion:
Taking account of the issues identified, the Authority can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).

1.3 Key findings

The key findings from this review are as follows:

Stock records

The Service uses the e-Requisition Manager System, which is a web-based system for raising and authorising requests for goods and services. A purchase order is raised on the system by the relevant department or station and this requires approval by the department head/budget holder. Most stock items are receipted by stores and are updated on the Great Plains system to reflect this. The Transport department however use the MIS system for ordering and receipting stock items. We selected a sample of 20 invoices and through testing confirmed that a goods receipt note had been recorded on each system and a hard copy signed delivery note or invoice was held in finance.

Stock and Inventory checks

A year-end stock take is performed by each of the five departments reviewed as part of this audit. A list of current stock is extracted by Procurement from the Great Plains system and independent checks are performed by each department. Once the count has been approved and confirmed as accurate the Stock Taking Certificate is signed and sent to Finance. Through review of documentation we confirmed that a year-end stock take had been performed for each of the five departments and hard copies of checks had been adequately retained in finance.

With regards to ICT assets, we confirmed through discussions with the ICT Service Delivery Manager that an audit of ICT assets at retained stations is performed once every 13 weeks. We reviewed documentation to confirm that Station Visits had been performed and deemed this adequate. We were also advised that all ICT assets at the Authority have been reviewed as part of the Authority's Virtual Desktop Infrastructure (VDI) roll out, which required replacing current ICT assets with new and improved hardware and software. This review took place across the summer of 2016 and took place at Headquarters and all Whole-time and Retained stations.

Our review identified the following issues which have resulted in **two medium priority actions**:

Stock and Inventory Policy

The Authority do not currently have in place an overarching stock and inventory policy setting out the type of stock they hold and the procedures to be followed with regards to receiving, reconciling, and using stock and inventory. There is a risk that agreed processes with regards to the management of stock and inventory at the organisation will not be followed if an overarching policy is not developed and available for staff to access. This could lead to the mismanagement of stock which could lead to discrepancies with stock and inventory figures in the year end accounts.

Periodic review of stock levels

We selected a sample of 20 stock/inventory items to confirm accuracy in the amount of stock recorded on Great Plains and MIS was accurate. We could not confirm existence for eight of the 20 items selected as part of our sample, (which had a value of £9,427) and confirmed through discussion with Stores Staff that these related to stock held by the Technical department. Furthermore, through inspection of stores where a vast amount of the Technical department's items of stock is located, we found that it was not organised to the standard maintained by the stores department with identifiable unique item numbers. There is a risk that stock could be damaged, stolen or misappropriated if it is not stored appropriately.

We have also agreed a low priority action with management which is detailed within the Action Plan in Section 2.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Stock and Inventory	2 (6)	1 (6)	1	2	0
Total			**1**	**2**	**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.

2 ACTION PLAN

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

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

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Stock and Inventory					
1.1	Bedfordshire Fire and Rescue Authority do not currently have in place an overarching stock and inventory policy setting out the type of stock they hold and the procedures to be followed with regards to receiving, reconciling, and using stock and inventory. Through inspection of the five departments we confirmed that the level of security required for particular stock and inventory is not documented within a policy.	Medium	The Head of Finance/Treasurer will ensure that an overarching Stock and Inventory policy is in place which details the following: • The type of stock held; • The principles to be followed with regards to receiving, reconciling and using the stock and inventory; • Roles and responsibilities for the stock/inventory held; and • Threshold values (and other factors such as risk) at which enhanced security measures are needed i.e. to ensure expensive or dangerous items such as explosives and flammable goods are secured.	February 2017	Head of Finance / Treasurer

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
1.2	We selected a sample of 20 stock/inventory items to confirm whether the amount of stock held agreed to the Great Plains and MIS system. For eight items of the stock held by the Technical department, we could not physically identify these items. We also found through inspection of the stores, where the Technical departments items of stock is located, that it was not organised to the standard maintained by the stores department.	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.	March 2017	Technical Support Manager
1.4	We requested emails from Stores to confirm that a Purchase Order Generator shortage report had been sent weekly for the last month for our sample of departments; however these were not received during the review. The Transport department do not currently utilise the MIS system to extract a report on a periodic basis which highlights low levels of stock in the department.	Low	The Authority will ensure that all departments utilise the Great Plains and MIS system to generate a monthly report identifying stock with low balances so these are reordered in timely fashion.	March 2017	TEM

3 DETAILED FINDINGS

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Area: Stock and Inventory						
1.1	Bedfordshire Fire and Rescue Authority do not currently have in place an overarching stock and inventory policy setting out the type of stock they hold and the procedures to be followed with regards to receiving, reconciling, and using stock and inventory.	No	N/A	Through discussions with the Head of Finance/Treasurer, we confirmed that the organisation does not have in place a stock and inventory policy. We were advised that each department within the organisation has a different procedure with regards to managing their stock and inventory however an overarching policy is not currently in place. We also confirmed for our sample of five departments reviewed as part of this audit that local procedural guidance with regards to their stock maintenance has not been developed. There is a risk that agreed processes with regards to the management of stock and inventory at the organisation will not be followed if an overarching policy is not developed and available for staff to access. This could lead to the mismanagement of stock which could lead to discrepancies with stock and inventory figures in the year end accounts.	Medium	The Head of Finance/Treasurer will ensure that an overarching Stock and Inventory policy is in place which details the following: • The type of stock held; • The principles to be followed with regards to receiving, reconciling and using the stock and inventory; • Roles and responsibilities for the stock/inventory held; and • Threshold values (and other factors such as risk) at which enhanced security measures are needed i.e. to ensure expensive or dangerous items such as explosives and flammable goods are secured.
1.2	The Authority uses the Great Plains system for recording and managing stock levels. This is administered by the Procurement department and is a centrally	Yes	No	We obtained a report showing the stock recorded on Great Plains as of 21 September 2016, the time of our fieldwork. We selected a sample of 20 stock/inventory items	Medium	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

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	used inventory/stock system in the Authority. The Procurement department also maintain the e-Requisition Manager system, which is a web-based system for raising and authorising requests for goods and services. The Transport department, however, use the Paros 10 MIS system to manage their stock. Items are recorded and receipted on this system and data is imported into Great Plains for accounting purposes.			to confirm whether the amount of stock held agreed to the Great Plans and MIS system. We confirmed the amount recorded on the system had been accurate and a unique item number had been traced in 12 cases. For the remaining eight items of stock selected however, we found that these related to stock held by the Technical department. The value of the stock relating to these eight items was £9,427. We could not physically identify these items and confirmed through inspection of stores that the Technical departments items of stock in Stores is not organised to the standard maintained by the stores department i.e. with unique item numbers. As a result we could not confirm existence for these items of stock. There is a risk that stock could be damaged, stolen or misappropriated if it is not stored appropriately.		enable ease for future counts.
1.3	The Technical department maintain stock at the Authority, such as cutting equipment, life jackets, helmets, and radios. The majority of their stock is held in Stores with the remainder held in containers located in their office. The Stores department maintain stock such as clothing for Fire Officers, clothing for ceremonies and shoes. The department	Yes	No	We were advised that each department in the Service are aware of the risk associated with their stock and are responsible for managing these appropriately. We specifically noted the following: **Technical** All technical department stock is held in stores or in containers in their department. Through review of stores we confirmed that access is limited		Refer to management action 1.1

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	consists of a Supervisor, two Store Keepers and one member of staff is required to be present in order for the Technical Staff to access their stock within Stores. Stores staff are based on site and the Technical department also use their own containers of stock. No other inspections of the containers used by the Technical team are performed other than when the year-end stock count is performed. The Community Safety department hold all their stock, such as fire alarms, in a garage based at the Authority's Northern Area office. Transport stock hold vehicle related stock such as bulb and lights. They are held in their Workshop, Containers, Workshop Stores, and in the Workshop Van.			exclusively to Stores staff and access is granted via an electronic fob. The containers are accessed via a key which is only accessible to the three members of staff in the department. **Stores** We confirmed that all stock is held in stores and access is limited exclusively to Stores staff. We confirmed through inspection that access to the building is granted via an electronic fob system. **Community Safety** All stock held by the Community Safety team is held in a locked garage based at the Authority's Northern Area office. We confirmed that access to the garage is limited to members of staff in the Community Safety Team. **Transport** We confirmed that stock is held in the Workshop, Containers, Workshop Stores, and in the Workshop Van. Through discussions with the Transport Support Officer we confirmed that they do not hold any high value stock on site. **ICT** We confirmed that ICT hardware (i.e. desktops, equipment etc.) is located on site at Headquarters and at the various stations across Bedfordshire and is in use by staff on a daily basis. Assets are also located in two locked rooms at Headquarters and are only accessible by ICT staff. Access is granted via an electronic fob system.		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				The level of security required for particular stock and inventory is not documented within a policy however. We have made a management action in section 1 of the report which addresses this issue.		
1.4	A Purchase Order Generator shortage report is extracted from the Great Plains system either by Procurement or the Store Keeper on a weekly basis for all four departments reviewed as part of this audit other than the Transport department. The system has a built in minimum level for each stock item held by the each of these departments. Should this level be reached then this will be highlighted on the report. A purchase order will subsequently be raised by the department and will go through the standard route of purchasing goods in the Authority. The Transport department do not currently perform such an exercise with the MIS system.	No	N/A	Through discussions with staff in each of the four departments reviewed as part of this audit that use the Great Plains system, we were advised that all departments receive a Purchase Order Generator shortage report either from the Procurement team or the Store Keeper on a weekly basis. We requested emails from Stores to confirm that these have been sent weekly for the last month for our sample of departments however these were not received during the review. With regards to the Transport department we were informed by the Transport Support Officer that the department do not perform such a task currently. We did confirm that the MIS System has the capability of performing such a task. however. this is not currently utilised. There is a risk that stock in the Service will not be available when needed if such a mechanism is not utilised, which could lead to the department procuring stock from outside suppliers. This could lead the Service to not achieve value for money in the stock that it procures.	Low	The Authority will ensure that all departments utilise the Great Plains and MIS system to generate a weekly report identifying stock with low balances so these are reordered in timely fashion.

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objective of the area under review
To ensure that stock and inventory levels across the organisation are understood to ensure that resources are available as and when necessary to meet the demand of the service users.

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

Areas for consideration:

- A Stock and Inventory Policy and procedure is in place which clearly sets out the roles and responsibilities of key staff and staff groups in ensuring the appropriate management of the Authority's resources.
- The documents clearly set out what is stock and inventory (ie what items are covered by the policy) and the principles to be followed when receiving, reconciling, and using stock and inventory.
- This includes a threshold value (and other factors such as risk) at which enhanced security measures are needed ie to ensure expensive or dangerous items such as explosives and flammable goods are secured.
- The Authority has in place a robust system for recording and managing stock and inventory levels across the organisation. This includes the use of an inventory/stock management system.
- Stock and inventory stores have appropriate security for the values and risk associated with the goods being stored. Security arrangements are independently (from those who use the store) inspected on a regular basis.
- Appropriate controls are in place to receive and record the receipt of stock and inventory. When stock and inventory are used, records are updated to reflect this.
- On a periodic basis, independent (from those who use the store) stock and inventory checks are undertaken to assure the integrity of the stock and inventory management system.
- Processes are in place to periodically review stock levels to identify aging stock which requires redistribution is identified and redistributed, and items with low balances are ordered in a timely manner.

Limitations to the scope of the audit assignment:

- We have not confirmed that all balances within the stock management system are accurate.
- We have not confirmed that the security arrangements are appropriate for the value and risk posed by the goods being stored.
- We have not confirmed that all types of stock and inventory have been captured by the stock management system.

- We have not commented on whether value for money has been achieved in relation to purchasing stock and inventory within the Authority.
- We have not verified the accuracy of all stock and inventory registers, only those sampled within our review.
- We have not verified the access rights allowed as per the fobs for each stores area.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Gavin Chambers, Head of Finance
- Jeremy Harrison, Chief Accountant
- Darren Cook, Technical Support Manager
- Thomas Warner, Prevention Support Manager
- Suzanne Hodgkiss, ICT Support Manager
- Wayne Bartram, Facilities Supervisor
- Gill Pritchett, Transport Support Officer
- Jenny Tighe, Stores Keeper
- Donna Herrington, Procurement Officer
- Catherine Colgan, Procurement Officer

FOR FURTHER INFORMATION CONTACT

Suzanne Lane, Senior Manager

Suzanne.Lane@rsmuk.com

07720 508148

Lee Hannaford, Assistant Manager

Lee.Hannaford@rsmuk.com

07816 161439

rsmuk.com

BEDFORDSHIRE FIRE AUTHORITY, CAMBRIDGESHIRE AND PETERBOROUGH FIRE AUTHORITY AND ESSEX FIRE AUTHORITY

Risk Protection Pool

FINAL

Internal Audit Report: 4.16/17

4 January 2017

RSM

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Debrief held	27 October 2016
Further testing	18 November 2016
Draft report issued	15 December 2016
Responses received	4 January 2017
Final report issued	4 January 2017

Internal Audit team	Dan Harris, Head of Internal Audit Suzanne Lane, Senior Manager Lee Hannaford, Assistant Manager Fiona Ho, Senior Auditor Shalini Gandhi, Auditor
Client sponsor	Gavin Chambers, Head of Finance/Treasurer (BFA) Matthew Warren, Deputy Chief Executive (CPFA) Glenn McGuiness, Deputy Director of Finance.
Distribution	Gavin Chambers, Head of Finance/Treasurer (BFA) Matthew Warren, Deputy Chief Executive (CPFA) Glenn McGuiness, Deputy Director of Finance

1 EXECUTIVE SUMMARY

1.1 Background

We undertook an audit of the Risk Protection Pool arrangements at Bedfordshire Fire Authority (BFA), Cambridgeshire and Peterborough Fire Authority (CPFA) and Essex Fire Authority (EFA) as part of the approved internal audit plan for 2016/17, to provide assurance that a robust risk protection process is in place and manages this area effectively.

In November 2015 the three Authorities entered into a Risk Protection Pool arrangement with seven other fire authorities. The decision to enter this partnership was made due to the high insurance costs placed on Fire Authorities by commercial insurers as Fire Authorities are deemed high risk clients. The aim of the partnership is to have a lower annual contribution from the members than that of conventional insurance, whilst still providing the same service and support.

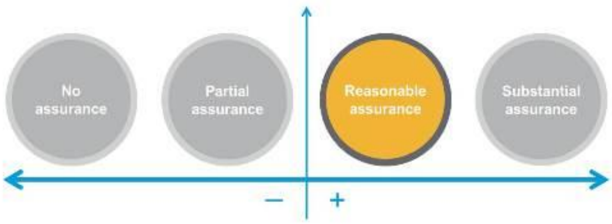
To oversee the function the Fire Risk Indemnity Company (FRIC) was established. FRIC is managed by a Board which is made up of five Directors from the member authorities who were nominated by their authority to run the arrangement. FRIC outsources the day to day operational duties to a third party, Regis Mutual Management Ltd (Regis), and they are responsible for managing claims fed in by the member authorities.

Each type of claim has a retention level agreed when the member joins FRIC and submits their annual application. Any claim up to this limit is payable by the respective authority. Claims over this amount and up to a limit, dependent on the type of claim, are paid by FRIC from the contribution pool obtained from the members' annual contributions. When claims are above the limit for FRIC payment they are escalated to one of two commercial insurance companies FRIC and the members have policies with. The insurance companies are ERS for motor claims and Builders Direct S.A for liability and property protection.

1.2 Conclusion

We have identified as a result of our testing at BFA, CPFA and EFA that the controls in place for the Risk Protection Pool were designed effectively. However, we have identified areas where the application of controls needs to be strengthened further, in particular relating to the documentation of EFA's lease vehicle retention amount.

Internal Audit Opinion:
Taking account of the issues identified, the Authorities can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



1.3 Key findings

The key findings from this review are as follows:

The FRIC of which EFA is a member are the body which provides the pooled protection. We confirmed the selection process for the Board of Directors of FRIC and noted that this was appropriate and resulted in EFA being represented on the Board. We obtained the signed Articles of Association for FRIC and confirmed these were detailed and clearly lay out the role and responsibilities of FRIC. We also obtained the Rules for FRIC and confirmed these clearly explain the rules for membership and the requirements for notifying FRIC of a claim.

FRIC has a contract to manage the relationship with the management company Regis. We obtained the contract between FRIC and Regis and confirmed this was up to date and covers Regis' responsibilities including payment and contract price. We also obtained and reviewed the Service Level Agreement for Regis. This provided sufficient detail regarding the role expected of Regis as well as laying out performance reporting requirements and the key performance indicators (KPIs) for Regis. FRIC also has an Appointed Representative Agreement, Data Sharing Agreement and Supplemental Management Agreement with Regis to manage the relationship. We obtained these agreements and confirmed they were current and detailed Regis' legal responsibilities with regard to FRIC and the members of FRIC.

The members of FRIC sign up for services on an annual basis. We obtained the annual application for 2016/17 completed by all parties including BFA, CPFA and EFA. We reviewed the applications and confirmed they were complete and had been signed off by the appropriate authorised signatory. We confirmed the application covered all relevant areas of insurance including motor insurance, employers' liability protection, public and products liability protection, and property protection. We also obtained the corresponding draft member pricing model for 2016/17. Through review we noted this included the other member authorities pricing for transparency, and the backing for all calculated costs was clearly included.

Variance analysis for year on year costs was included so member authorities could scrutinise charges and gain assurance that their contributions are reasonable. The invoice provided to EFA by FRIC for 2016/17 cover evidence EFA are being charged the calculated amount in the pricing model and that EFA will have continued adequate coverage in 2016/17. We also obtained meeting minutes from BFA and CPFA, evidencing that careful consideration had been given to the proposal of the insurance pooled fund and in November 2015, both Authorities had agreed to go forward with the proposal.

The members of FRIC undertake a monthly conference call to discuss the performance of Regis and the pooling arrangements. We obtained the July, August and October 2016 agendas and confirmed attendance by a representative of EFA at every meeting. No minutes are maintained for these meetings, but we reviewed the agendas to confirm standing items relating to Regis' performance, as well as FRIC development, are consistent. We obtained the accompanying reports and confirmed these were useful detailing claims to date and providing analysis on this for discussion. The Finance Director and Treasurer of EFA confirmed that to date there have not been any complaints regarding Regis' performance.

We undertook sample testing at BFA and CPFA, selecting ten insurance claims from each and confirming that they were detailed on the claims cloud (database) with supporting evidence included. We identified that FRIC had been involved with all third party insurance claims but the Authorities had managed their own claims, mainly due to the fact that they were below the excess amount of £5,000. As a result, no exceptions were noted.

We also confirmed that since the new functionality to the claims cloud had been added (around July 2016), there were no liability claims and therefore the process could not be evidenced and no further testing was undertaken.

The Service Level Agreement between FRIC and Regis states that performance review meetings will take place between FRIC and Regis quarterly or at other intervals as agreed by the parties. We confirmed through review of the performance review meeting minutes from the meeting held in April 2016 that it was agreed these meetings would occur twice a year. We obtained the April performance review meeting reports which was the first meeting help since the initiation of the relationship in November 205, and noted that to date no complaints or breaches have been made against Regis by any member, and that all of the relevant KPIs are being met by Regis. The reports also included an action log which includes action required, owner and target completion date evidencing actions being taken to improve the service. Through review of the minutes we confirmed all agenda items were discussed and that the FRIC representative provided challenge and scrutiny of the information reported by Regis.

Regis provides a quarterly claims pack to the members of FRIC providing them with management information regarding claims to date. We obtained the claims pack for quarter two and quarter three of the 2015/16 year. We reviewed the slides and supporting data spreadsheets and confirmed that management information was clear and in a useful format allowing comparisons to the other members for benchmarking and best practice. We confirmed dissemination of the reports by the Risk and Business Continuity Manager at EFA to relevant operational leads to allow analysis and learning from the collated data.

The Fire and Rescue Risk Group (FARRG) was established by FRIC to identify the main risks, causes and trends in claims that threaten FRIC's success and is made up of FRIC members. FARRG is open to other Fire and Rescue Authorities to enable shared learning and collaborative working. We obtained the meeting action minutes for the December 2015, February 2016 and June 2016 meetings. We confirmed the action minutes evidence discussion around claims and FRIC performance and put in place project plans and actions to improve performance and strengthen FRICs position. FARRG provides another oversight and management forum for the members of FRIC providing assurance that the insurance arrangement is functioning appropriately and any issues are being addressed.

We have agreed **one medium priority** actions with management relating to the following:

When a claim is submitted there are different retention limits EFA is responsible for covering, dependent on the claim type. These levels are documented in the policy and protection schedules and FRIC application form. We obtained the three schedules and wording documents EFA has with FRIC and reviewed these to confirm they were current and covered all agreed areas. Upon review we noted that the retention level listed for motor claims was £50,000, however, we confirmed through discussion with the Finance Director and Treasurer of FRIC and through review of claims data that this limit is not always relevant. When a motor claim relates to a lease vehicle the agreed limit is £250, and this is an amount agreed with FRIC.

Bedfordshire however, does not have leased cars like Essex FRA, Essex provide leased cars to operational officers. Whereas in Bedfordshire, operational officers lease their own cars and have their own insurance. Bedfordshire top up insurance on these leased cars is only where they are responding to incidents on emergency blue lights (to negate officers having the have this on their own insurance). This has resulted in a higher excess for Bedfordshire, on limited incidents (none in 2016/17 as you note), which keeps the premium lower. Bedfordshire are the only authority in the consortium with this position.

There is a risk that if limits are not documented in the agreements between FRIC and EFA correctly there is the risk that EFA could be forced to pay the higher retention amount for a lease vehicle claim as there is no official agreement in place.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Risk Protection Pool	0 (10)	1 (10)	0	1	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.

2 ACTION PLAN

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

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

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Risk Protection Pool					
1.1a	The agreed retention amount of £250 payable by EFA when there is a claim on a Lease Vehicle is not documented in the agreement between EFA and FRIC.	Medium	EFA will ensure the agreement with FRIC is updated so that it is clear that EFA are only liable for up to £250 in relation to lease vehicles.	Completed	Mike Clayton

3 DETAILED FINDINGS

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Area: Risk Protection Pool						
1.1	FRIC has three insurance policies set up to aid in claims where necessary and when they are above the agreed limits. For motor claims this is through Equity Red Star and for employee and public liability and property this is through Builders Direct SA. These insurance policies were agreed by FRICs Board. All potential claims are entered onto the Claims Cloud and from here they are dealt with either by the Authority or FRIC dependent on the content and cost. Entry of all claims and potential claims onto the Cloud enables FRIC to compile complete management information to the members.	Yes	No	We obtained the Equity Red Star and Builders Direct SA insurance policy documents along with the FRIC policy and protection schedules. We noted the policy and protection schedules for motor, liability and property were dated 1 November 2015 and expire on 31 October 2016. This evidences they were current (at the time of the audit) and had not lapsed, they also reconciled to the annual term the members agreed. The policy schedules clearly list EFA as the member and FRIC and the insurance provider are referred to making their responsibilities known. We obtained the supporting protection wordings / policy documents and reviewed confirming these are detailed covering the responsibilities of FRIC and the insurer and the excesses and payment limits. Through review of the application for protection to FRIC we confirmed that the retention amounts payable by EFA for each of the areas are: • £50,000 for motor • £25,000 for liability protections • £5,000 for property protections. After discussion with the Finance Director & Treasurer of EFA we confirmed that the retention amount payable for lease cars is £250 and not £50,000 and that this is agreed with FRIC. We confirmed this when we reviewed	Medium Medium	EFA will ensure the agreement between FRIC and EFA is updated so that it is clear that EFA are only liable for up to £250 in relation to lease vehicles. BFA will review the insurance arrangements relating to lease vehicles to ensure that their excess is in line with other Fire Authorities if possible.

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				a sample of claims and noted the retention of £250 was referred to in relation to the lease cars. If this retention amount is not documented in the agreement with FRIC, EFA are liable to cover costs for all motor vehicles up to £50,000 and could suffer financially as a result. We selected a sample of 10 claims made by EFA since November 2015. Five of these were related to third party claims and five to Fire Authority only claims. We viewed the claims on the Claims Cloud and confirmed all claims were appropriately added and supporting documentation attached. We confirmed via review of the claim type and amount that Regis was involved where necessary. We noted all closed claims had been paid if necessary, and that where a third party was involved or the amount was above the retention of £250 for a lease vehicle or £50,000 for a fire vehicle that Regis was the handler.		

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objective of the area under review
To ensure that appropriate arrangements have been put in place to administer the Risk Protection Pool

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

Areas for consideration:

A Risk Protection Pool has been established across nine Services which is administered through a contract between the Fire and Rescue Indemnity Company Ltd and Regis Mutual Management Ltd. All nine Authorities are members of the Fire and Rescue Indemnity Company Ltd. We are undertaking a joint review with sample testing from Bedfordshire, Cambridgeshire and Essex Fire Authorities.

In particular, we will confirm that:

- Clear and documented governance arrangements have been established for the operation of the Risk Protection arrangements. These include roles and responsibilities, delegation, authorisation, reporting lines, performance indicators.
- The governance arrangements have been agreed and approved at an appropriate level.
- Review of the governance structure of the Fire and Rescue Indemnity Company Ltd overseeing the risk protection arrangements.
- Adequate procedures have been developed for members of the Fire and Rescue Indemnity Company. The procedures are available for all required staff.
- Samples testing (from Bedfordshire, Cambridgeshire and Essex) on compliance against policies and procedures in place.
- Review of reporting for the risk protection arrangements and monitoring of performance.

Limitations to the scope of the audit assignment:

- We have not commented on adequacy or appropriateness of the risk protection arrangements or cover in place.
- We have not confirmed if the arrangements in place are the most efficient, effective or appropriate for the organisations, or provided an opinion on the overall or apportioned costs.
- Testing has been completed on a sample basis from Bedfordshire, Cambridgeshire and Essex Fire Authorities only.
- We have only reviewed pooled insurance documentation available at Essex Fire Authority.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Mike Clayton, Finance Director and Treasurer
- Mark Ludlow, Fleet Workshops
- Jane Watts, Information and Democratic Support Assistant
- Joshua Muir, Business Support & Finance Officer

FOR FURTHER INFORMATION CONTACT

Suzanne Lane, Senior Manager

Suzanne.Lane@rsmuk.com

07720 508148

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BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Key Financial Controls

FINAL

Internal Audit Report: 5.16/17

8 February 2017

RSM

CONTENTS

Debrief held	2 December 2016	**Internal Audit team**	Dan Harris, Head of Internal Audit Suzanne Lane, Senior Manager Matthew Wright, Senior Auditor Shalini Gandhi, Auditor Dillan Darji, Auditor
Draft report issued **Revised draft issued**	16 December 2016 26 January 2017		
Responses received	8 February 2017		
Final report issued	8 February 2017	**Client sponsor**	Gavin Chambers, Head of Finance and Treasurer
		Distribution	Gavin Chambers, Head of Finance and Treasurer

1 EXECUTIVE SUMMARY

1.1 Background

We have undertaken a review of Key Financial Controls at Bedfordshire Fire and Rescue Authority as part of our annual internal audit plan for 2016/17.

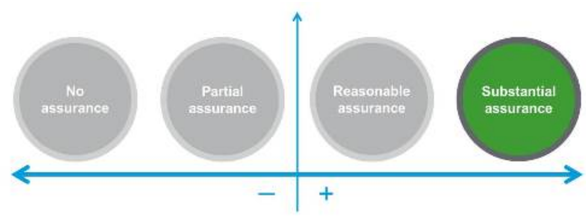
The Finance Team is headed by the Head of Finance, who is supported by the Chief Accountant and two Principal Finance Officers. There is also a small team of supporting Finance staff undertaking day-to-day accounting tasks. The Payroll team is led by the Payroll Manager, who is supported by a Payroll Supervisor and two Payroll Officers.

Our review has focussed on the key financial controls of five financial areas; General Ledger, Treasury Management, Payroll, Income and Debtors and Payments and Creditors.

1.2 Conclusion

Our substantial assurance opinion is based primarily on the number of robust controls that were found to be operating, with a small number of low and medium priority findings mainly within the General Ledger and Income and Debtors areas.

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



1.3 Key findings

The key findings from this review are as follows:

General ledger

We confirmed that robust procedures were in place for the raising, approval and posting of journals, including a clear and defined segregation of duties for each task. We confirmed through review of a sample of ten journals that the procedures had been followed in each instance by ensuring that journal descriptions were clear and that manual journal approval forms were accompanied by supporting documentation.

We reviewed control account reconciliations for the Creditor, Debtor and Suspense accounts, confirming they had been completed, reviewed and signed off appropriately, and that reconciling items were identified and corrected in a timely manner. We confirmed sample testing of reconciliations tied to supporting documentation without exception.

We confirmed that a robust procedure was in place and operating effectively to back up financial system data, and to test for recovery.

Access to the General Ledger is appropriately restricted to members of the Finance Team, and access for these individuals had been approved by the Head of Finance. Access rights are reviewed annually. However, we found three IT accounts and one third party supplier account with access to the General Ledger, for whom authorisation could not be traced. There is a risk that unauthorised access may have been granted to the general ledger and that ultimately erroneous transactions are posted to the ledger. We have raised one **low priority** management action in relation to this issue.

Chief Accountant approval is required prior to new cost centres being added to the ledger. We confirmed for a sample of ten new cost centres in 2016/17 that the process had been followed without exception. However, we noted through inspection of the system user access listing that the Chief Accountant also has access to set up new cost centre codes, leading to a potential segregation of duties issue and the risk that inappropriate codes are set up which could result in inaccuracies in the ledger. We have agreed one **low priority** management action to address this issue.

Cash, banking and treasury management

We confirmed that bank reconciliations were being performed for all bank accounts on a monthly basis, and sample testing confirmed that these reconciled to the General Ledger and bank statements without exception. All reconciliations reviewed for a period of three months had been signed and dated by the Chief Accountant, independently of the person performing the bank reconciliation, and had been completed in a timely manner.

A Treasury Management Strategy, aligned to statutory and CIPFA requirements, is in place which comprehensively outlines the Service's approach to undertaking loans and investments. We tested a sample of three investments, confirming that reviews of risk had been completed in line with the Strategy without exception.

We confirmed that daily cashflow forecasts were performed by the Principal Finance Officer which includes updating actual balances. We tested a sample of two recent forecasts, confirming that they had been reviewed and signed by both Principal Finance Officers and the Chief Accountant, demonstrating independent review and approval.

Payroll

We reviewed the processes for approving and recording new starters in payroll and confirmed that appropriate procedures were in place to notify payroll of the new starter, and to approve additions to the payroll. We tested a sample of five new starters, confirming authorisation from HR to add to payroll, completion of a new starter form and agreement to the payroll changes report without exception. We confirmed that starter details had been accurately input into payroll.

Similarly, we confirmed through inspection of a sample of five leavers during 2016/17 that they were processed appropriately, including approval of the leaver by HR, timely notification of payroll and agreement of the final salary calculation to payroll without exception, and had been input accurately into payroll.

In addition, through testing of a sample of ten employee amendments, including four bank detail changes, we confirmed that each had been appropriately authorised through completion of a change request form, and had been input accurately into payroll.

We confirmed that access to payroll electronic folders was appropriately restricted to the Payroll Supervisor, Payroll Manager and Payroll Officers.

We reviewed a sample of ten expense claims, confirming that they had been appropriately authorised by the employee's line manager through the STEP system, and were supported by backing documentation.

We also confirmed that payroll variance reports from the third party payroll provider were reviewed by internal payroll for a sample of three months, and that any variances had been reviewed and appropriate explanations recorded.

Finally, for a sample of three months covering the current financial year, we confirmed that the payroll BACS run had been appropriately approved by either the Chief Accountant or Principal Finance Officer, in line with procedure, without exception.

Payments and creditors

We confirmed that robust procedures were in place and followed for processing new suppliers and amendments to existing supplier accounts. From review of a sample of five new suppliers, we confirmed that they had been approved through the completion of new supplier request forms, including evidence of independent verification checks. Similarly, we confirmed that a sample of ten supplier amendments had been appropriately approved through change request forms, again with evidence of independent verification where applicable.

We confirmed through review of a sample of ten invoices that all purchase order (PO) invoices could be traced to appropriately authorised POs, with two non-PO invoices being approved by an appropriate level of staff. We confirmed that payments were appropriately authorised, and that invoices were marked to indicate goods received or work performed prior to payment. All sampled supplier payment runs were appropriately reviewed and authorised. In addition, we noted that an adequate process was in place for reporting on time taken to pay suppliers.

We noted that an Authorised Signatory Spreadsheet listing was in place that detailed the specific cost codes against which individuals were authorised to spend, and within what limits. While we confirmed the list was appropriately designed and fully completed, we noted four signatories on the list out of a sample of ten whose approval limits could not be traced to appropriate authorisation. There is therefore a risk that unauthorised expenditure could occur, and we have agreed one **low priority** management action to address this.

Income and debtors

Through review of a sample of ten invoices, we confirmed that each was accompanied by the mandated sales requisition form, and that the invoices agreed to the respective requests without exception. We also confirmed that each invoice had been issued timely following requisition. However, we noted one of the sales requisitions had been approved by an individual with no authority for the cost centre concerned, leading to a risk that unauthorised income is recorded. We have agreed one **medium priority** management action to address.

We also noted through review of a sample of five credit notes that each was raised in a timely manner following requisition. However, we noted three that had not been signed off by an authorised member of staff as defined by the Authorised Signatory List. There is therefore a risk that unauthorised credits are applied to debtor accounts, which could result in financial loss to the Authority. We have addressed this through the management action raised in the preceding paragraph.

We confirmed that a robust process was in place for monitoring and chasing outstanding debts, including an escalation process for the issue of reminder letters up to legal action. For a sample of five aged debts, we found one in excess of 120 days overdue where only one reminder letter had been issued, short of the three required by local procedure. As this is an isolated incident of low value, we have not raised a management action here.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
General Ledger	1 (6)	1 (6)	2	0	0
Cash, Banking and Treasury Management	0 (4)	0 (4)	0	0	0
Payroll	0 (7)	0 (7)	0	0	0
Payments and Creditors	0 (7)	1 (7)	1	0	0
Income and Debtors	0 (4)	3 (4)	0	1	0
Total			**3**	**1**	**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	0	0
Number of actions implemented/ superseded	3	0	0
Actions not yet fully implemented:	0	0	0

As part of this review the Bedfordshire Fire and Rescue Authority has demonstrated good progress in implementing actions agreed to address internal audit recommendations made within our previous key financials report. Of the three low priority management actions followed up, we confirmed that all had been implemented in full.

2 ACTION PLAN

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

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

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: General Ledger					
1.1	We could not confirm that IT and third party supplier access to the GL system had been approved by an appropriate level within the Service.	Low	A policy will be drafted explaining what IT and system supplier access rights are approved.	31st Jan 2017	Chief Accountant
1.2	The Chief Accountant both authorises new GL account codes and has access to set up new account codes.	Low	The Chief Accountant's access to set up GL accounts will be removed if it is possible to do so. If it is not possible to remove access, a process will be introduced to require countersigning for new account codes.	31st Jan 2017	Chief Accountant
Area: Payments and Creditors					
2.1	We found four instances of employees on the Authorised Signatory List (ASL) where we could not trace back to authorisation by the Head of Finance. We also found one employee with an incorrect approval amount on the List.	Low	The Finance Department will ensure that all signatories within the ASL are authorised by the authorised by Head of Finance or Chief Accountant in their absence, and that evidence of authorisation is maintained.	31st Jan 2017	Chief Accountant

Area: Income and Debtors					
3.1,2	We identified three sales invoices from a sample of ten that had not been appropriately approved for raising. We also identified three credit notes that had not been signed in accordance with the Authorised Signatory List.	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.	End of December 2017	Chief Accountant

3 DETAILED FINDINGS

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Area: General Ledger						
1.1	Access to the general ledger is restricted to only personnel with a need as part of their daily job role. The ability to post journals is restricted to the following user roles in the Great Plains system: • FINDIR • FINADMIN • FINASSIST This only includes all members of the Finance Department.	Yes	No	We obtained the system user access listing, and identified users with the following access: • TRX_FIN_001 - Enter journals • TRX_FIN_002 - Enter/edit General Ledger batches. We noted all users with access to these transactions were members of the Finance and Procurement Team, apart from three accounts used by IT and one by the system supplier for system testing. We confirmed that all access by the Finance and Procurement Team had been appropriately authorised through request forms, signed off by the Principal Finance Officer and Chief Accountant or Head of Finance. We noted no issues with segregation of duties. However, we were unable to obtain evidence that the IT and system supplier access had been authorised by an appropriate party at the Service, which creates a risk that these users have inappropriate and unauthorised access to enter journals.	Low	A policy will be drafted explaining what IT and system supplier access rights are approved.
1.2	All new cost centre codes are approved by the Chief Accountant prior to being set up on the system. The Chief Accountant also has system access to create GL accounts and	No	N/A	We obtained a listing of new cost centre codes for the current financial year, and tested a sample of ten for appropriate approval. We confirmed that all ten codes had been approved via email by the Chief Accountant.	Low	The Chief Accountant's access to set up GL accounts will be removed if it is possible to do so. If it is not possible to remove access, a process will be introduced to require countersigning for new account codes.

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	mass modify accounts.			We noted that the Chief Accountant has access to the CARD_0101: Maintain accounts function in the accounting system. We confirmed in discussion that this function allows the user to create all types of GL accounts and to mass modify accounts. Without a higher level of approval, there may therefore be segregation of duties issues leading to inappropriate account codes being set up. We note the risk is low, however, as any charges approved to these codes would have to be approved by the Head of Assets and Finance.		
Area: Payments and Creditors						
2.1	The Service maintains an Authorised Signatory List (ASL) detailing expenditure limits for each cost centre code. The spreadsheet details individuals and their limits within each cost centre. This includes their limit for employee related expenses, and their limit for the authorisation of invoices. Additions or amendments to the ASL are approved by the Head of Finance via email.	Yes	No	We obtained the Revenue Expenditure Authorised Signatory Listing, noting the following. We confirmed the ASL was appropriately designed, detailing the exact cost codes from which individuals were authorised to spend, and to what limits. Authorisation email trails were included in the spreadsheet for each cost code. Through review of a sample of ten signatories, however, we noted four for whom there was no evidence of authorisation of their approval limits. A fifth signatory had an authorised invoice approval limit of £50 per the authorisation email trail, but had an actual limit of £500 on the ASL. We understand this was an isolated incident due to a typographic error. However, without clear evidence of approval, there is a risk that unauthorised expenditure will occur.	Low	The Finance Department will ensure that all signatories within the ASL are authorised by the authorised by Head of Finance or Chief Accountant in their absence, and that evidence of authorisation is maintained.

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Area: Income and Debtors

3.1	In order for an invoice to be raised, a Sales invoice requisition form is completed. This must be authorised by an appropriate member of staff. Once it has been authorised, a sales invoice can be issued. In some cases a sales order requisition form is not needed. This is because some organisations will incur regular charges from the Authority and therefore the same invoice would be raised on a periodic basis. These are monitored within a yearly costs spreadsheet.	Yes	No	We reviewed a sample of 10 invoices and noted that where applicable, all sales invoices were accompanied with a sales requisition form. However, we noted that one had not been signed as approved, and two had been signed as approved by staff who did not have authority as defined by the Authorised Signatory List. There is therefore a risk that unauthorised income is recorded. We confirmed that in all applicable instances, the sales invoice tied to the sales requisition form, and that each invoice had been issued in a timely manner following the original requisition.	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.
3.2	A Credit Note is raised through the Great Plains system. A description is provided when completing the credit note to show which invoice it relates to. It must be appropriately authorised before being produced.	Yes	No	Through review of our sample of five credit notes we confirmed the following: • All five samples were raised in a timely manner following requisition; and • Five of the credit notes were signed off by a line manager. We identified one instance where the credit note itself was not signed by a line manager; however an email trail was reviewed confirming the Principal Finance Officer, had requested the credit note to be raised and this was deemed as satisfactory authorisation. Although five of the credit notes tested were indeed signed off by a line manager, we found that three were not signed appropriately according to the Authorised Signatory List. These credit notes were signed by the Principal Finance Officer when in fact the credit notes should have been authorised by the Head of Finance. There is therefore a risk that unauthorised and potentially excessive credits have been applied to debtor accounts.	N/A	Refer to management action at 3.1.

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objective of the area under review
To ensure that robust controls are in place to safeguard the integrity of the Authority's financial performance

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

Areas for consideration:

- This review will include key controls testing against the following areas:

General Ledger

- Policies, procedures and guides are in place to direct the actions when using the general ledger;
- Processes are in place to ensure that; all new staff are set up with appropriate access rights, amendments to staff access rights are appropriately authorised and staff leavers are blocked/removed in a timely manner;
- Journals are appropriately raised, authorised and accurately posted in a timely manner;
- Suspense accounts are appropriately managed and cleared on a regular basis;
- Control account reconciliations (AR, AP, Bank, Charity and Trial Balance etc.) are completed and reviewed in a timely manner following the month end. All variances are investigated and cleared appropriately;
- Disaster recovery plans are in place. Back-ups and recovery tests are completed on a regular basis.

Cash, Banking and Treasury Management

- Policies and procedures in place around cash management within the Authority;
- Accurate cash flow forecasts are produced on a monthly basis which take into account all know cash in and out flows. Contractual income and expenses have been included for the year;
- Bank reconciliations are completed in a timely manner following month end, and are reviewed and approved by a senior member of staff shortly after;
- Robust controls are in place around the access to the Authority's bank accounts, this include the maintenance of up to date authorised signatory lists which reflect the Authority's scheme of delegation/ authorisation limits;
- Investments have only been made in line with the Authority's policy and have been subject to an appropriate level of scrutiny and approval.

Payroll

- Access to the payroll and HR system are restricted with appropriate processes in place to ensure that only authorised personnel have access;
- The creation and set up of new starters on the payroll system is subject to rigorous checks and appropriate authorisation;
- Removal of staff is subject to appropriate authorisation and completed in a timely manner to reduce the risk of overpayment.
- Processes are in place to ensure that all final salary payment calculations are accurate and take into account all relevant information;
- Amendments to employee information (personal and corporate) are subject to appropriate checks and authorisation.
- Appropriate controls are in place to ensure that temporary payroll variations (expenses, job variations and time-sheets etc.) are authorised and accurately input;
- The month end payroll process includes the preparation of exception reports which are reviewed by a senior member of staff;
- Appropriate authorisation is given before the payroll is released.

Payments and Creditors

- Purchase orders are completed and authorised in line with the scheme of delegation prior to being issued to suppliers. Controls are in place to ensure that budgets cannot be over committed;
- Goods are received on the system before payments can be made;
- Invoices received are matched to purchase orders in a timely manner. Where no purchase order is available, an appropriate procedure has been put in place to challenge the purchasing manager;
- Timely payment and approval of invoices in line with financial authority limits and payment targets. This will include whether targets are being accurately reported against;
- Procedures are in place to ensure that new suppliers are appropriately vetted before an order can be made with them. This includes additional checks to ensure that financial details are accurate;
- Amendments to supplier details are subject to enhanced confirmation procedures to ensure that only genuine amendments are made;
- The payment run is subject to senior management approval following cash flow checks to ensure that sufficient funds are available;
- Compliance with the Better Payments Practice Code (BPPC) is monitored and reported on a regular basis through review of the supplier payment periods.

Income and Debtors

- Mechanisms are in place to identify all income due and raise accurate invoices in a timely manner;
- Invoice requests are appropriately authorised and processed by finance in a timely manner;
- Processes are in place to ensure that all regular income invoices are generated in a timely manner. This could involve the establishment of regular income registers;
- An appropriate process is in place to scrutinise the use and approval of credit notes for the cancellation or part cancellation of invoices;
- All debtors are chased in line with a structured debt management policy. Evidence of all debt chasing activity is clearly recorded and regularly reviewed by a senior member of staff.
- Debtor levels are regularly monitored and reported to senior management for scrutiny.
- Bad debts are reviewed on a regular basis with only those deemed irrecoverable following all efforts to recover the funds, approved in line with the standing financial instructions for write-off.

In addition to this, we will follow up the actions agreed previously.

Limitations to the scope of the audit assignment:

- We have not provided assurance that the Authority has identified all debt owing to it.
- We have not substantially re-performed reconciliations.
- We do not provide assurance that all goods ordered provide value for money.
- We have not verified the accuracy or completeness of information recorded on the ledger.
- We do not guarantee that the services and items being invoiced and paid for are correct with the events having actually taken place.
- We have not reviewed any key financial controls in relation to asset management as the stocks and stores and Fleet Management reviews have covered the controls in this area.
- We have not confirmed that all staff have read and understood policy and procedures.
- The review has been conducted on a sample basis only.
- Our audit has not provided any assurance over the safety and security of any funds invested.
- Our review has not provided an opinion on the appropriateness or security of the organisations investments or banking deposits, or of the appropriateness of its investment policies.
- Our audit has not sought to replicate advice provided by your treasury management or investments advisor.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Jeremy Harrison, Chief Accountant
- Helen Lincoln, Principal Finance Officer
- Jackie Hammer, Principal Finance Officer
- Andrew Potter, Head of Procurement
- Yvonne Davies, Payroll Supervisor

FOR FURTHER INFORMATION CONTACT

Suzanne Lane, Senior Manager

suzanne.lane@rsmuk.com

07720 508 148

Lee Hannaford, Assistant Manager

lee.hannaford@rsmuk.com

07816 161 439

rsmuk.com

BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Fleet Management

FINAL

Internal Audit Report: 2.16/17

29 November 2016

CONTENTS

Debrief held	30 August 2016	**Internal Audit team**	Dan Harris, Head of Internal Audit Suzanne Lane, Senior Manager Lee Hannaford, Assistant Manager Fiona Ho, Senior Auditor Shalini Gandhi, Internal Auditor
Extra information provided	15 September 2016		
Draft report issued	22 September 2016		
Responses received	29 November 2016		
Final report issued	29 November 2016	**Client sponsor**	Chris Ball, Head of Operational Support
		Distribution	Chris Ball, Head of Operational Support

1 EXECUTIVE SUMMARY

1.1 Background

We undertook an audit of Bedfordshire Fire and Rescue Authority's (BFRA) Fleet Management framework as part of the approved internal audit schedule of 2016/17, to ensure that BFRA has a strong maintenance and servicing process in place and manages vehicle defects in a timely manner.

BFRA has a total of 115 transport assets across its 18 locations, including vehicles, trailers, boats and demountable modules. The prime purpose of the Transport Section of BFRA is the supply and maintenance of vehicles and major operational equipment which meet user and stakeholder needs, Fire and Rescue Service strategies, and legislative requirements.

The Transport section provides operational support to the vehicle fleet. This may be for unplanned repairs or scheduled preventative maintenance. The Transport Sections has the responsibility to ensure that all vehicles stay within legislative and predetermined safety requirements.

The Chief Fire Officers Association (CFOA) provide best practice guidance for the servicing of vehicles and schedules for emergency fire appliances, and the Fleet Transport Association (FTA) should be utilised as a third party to sample audit the maintenance work carried out by the Transport Section, in order to provide independent quality assurance.

1.2 Conclusion

We have identified as a result of our testing that Bedfordshire Fire and Rescue Authority had controls in place for Fleet Management that in the main were designed effectively. However, we have identified areas where the application of controls needs to be strengthened further, in particular relating to the routine vehicle checks and completion of the vehicle logbooks. As a result of the review we have agreed one high, one medium, and four low priority actions.

Internal Audit Opinion:

Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the Authority relies upon are suitably designed, consistently applied and effective.

However, we have identified issues that, if not addressed, increase the likelihood of the risk materialising.

1.3 Key findings

Bedfordshire Fire and Rescue Authority (BFRA) has a Transport Asset Management Plan (TAMP) that spans from 2016 to 2020. The TAMP details BFRA's overall approach to fleet supply, management and maintenance including stating legislative requirements of fleets. The TAMP also includes detail around KPIs and the prior year results which exceeded the requirements.

BFRA have a number of policies regarding fleet management including an Asset Management Policy, a Repair and Maintenance service order, and a Health and Safety at Work Policy. Through review we confirmed that the Asset Management Policy provides a definition of asset management, the principles, the objectives, arrangements and responsibilities and BFRA's approach. The Health and Safety Policy (driving at work) was comprehensive regarding the driving requirements at work particularly around vehicle inspection, maintenance repairs, and modifications and testing.

The Repair and Maintenance service order contained the routine maintenance schedule for vehicles. We confirmed that the workshops maintenance schedule for vehicles agrees to the Chief Fire Officers Association (CFOA) guidance and that the relevant detail on interim servicing was included. We reviewed the requirements listed regarding daily and weekly vehicle checks and noted that for fire and rescue vehicles those listed were reasonable and agreed to those listed in the vehicle logbooks (where checks on the vehicle are recorded) and Health and Safety Policy. However, we noted that for ancillary vehicles the checks listed did not agree to the requirements in the vehicle logbooks or the Health and Safety policy. There is the risk that the correct checks are not carried out to keep the vehicles safe. A low priority management action was raised to address this by updating the policies to read the same requirement.

When BFRA acquire a new vehicle it is assigned a fleet number. Acquisitions are added to the asset management system (MIS). We confirmed for a sample of five current vehicles that the vehicles were added to MIS in line with their 'in service' date and that their MOT/Servicing information was included. We also reviewed the included vehicle information and noted this was in line with CFOA guidance. When a vehicle is disposed of MIS is updated so that it can no longer be scheduled for maintenance or repair work. We selected a sample of five disposals and confirmed that they vehicle was marked as 'sold' or 'disposed' in MIS and that there was no option to schedule work on it.

We noted that when routine is scheduled the Transport Support Officer will call or email the Station / vehicle user to alert them to the requirement to take the vehicle out of service for this in the near future. We obtained evidence of the notification process in email form ensuring that users are prepared with alternative options.

BFRA has a process for reporting defects. The staff member calls control and logs the fault. The issue is logged in the Fleet Performance System (FPS) and the defect is then manually added to MIS. A job card is created from FPS and this is completed by the Technician prior to the repair information being included in FPS and MIS. For a sample of five defects we confirmed that it was logged appropriately. We obtained the job cards which are extracted from FPS and we noted that these had all been completed appropriately. We looked at the five defects on MIS and confirmed that all five incidents had been copied onto MIS completely and correctly. The manual nature of copying all of the information from FPS into MIS introduces the risk that details are copied incorrectly or important pieces of information missed. A low priority management action was raised to address this.

BFRA carry out Vehicle Certification Agency (VCA) inspections on all new batches of operational appliance vehicles prior to it going operational to ensure they meet all safety requirements as well as are fit for purpose. We obtained and reviewed five VCA reports and confirmed that these were carried out prior to the vehicles going into service, and that all received a successful sign off.

The role and remit of the Corporate Services Planning and Challenge Group CSP&CG group is to approve, monitor and review the Fire and Rescue Authority's Asset Management strategy, plans and processes. We noted that the minutes for the CSP&CG were accessible on the Authority's website and therefore available to members of the public and staff. The minutes reviewed were from November 2015 to June 2016. We identified that the standing agenda items in the terms of reference, were reflected as headings within the meeting minutes and therefore it could be evidenced that the group were fulfilling their role. In particular, the minutes included a revenue budget and capital programme monitoring update. The minutes from these meetings are reported at each of the Authority meetings.

We have agreed **one 'medium'** and **one 'high'** priority action with management relating to the following:

As per the Driving at Work Policy the Freight Transport Association (FTA) should carry out a monthly random sample inspection on a heavy goods vehicle during the year to verify they are road worthy and the repair and maintenance work is of appropriate quality. We identified that from April 2016 to August 2016 none were carried out. A **medium priority** management action was raised to address this.

We identified that routine daily and weekly vehicle checks that should be documented in the vehicle logbooks are not being completed. If checks are not completed in line with the schedule there is the risk that a fault develops and it is not addressed causing a hazard and potential injury. A **high priority** management action was raised to address this.

In addition we have agreed four ‘low’ priority actions with management, these are detailed within sections 2 and 3 of this report.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Fleet Management	0 (13)	6 (13)	4	1	1
Total			**4**	**1**	**1**

* 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.

2 ACTION PLAN

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

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

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Fleet Management					
1	The Repair and Maintenance Policy vehicle check guidelines do not match those listed in the Health and Safety Manual or the logbooks.	Low	The Repair and Maintenance Policy will be updated to refer readers to the Health and Safety Policy and Vehicle Log books to prevent inconsistencies within documents.	April 2017	TEM
2	Vehicle checks are not being completed as per the Repair and Maintenance Order. The logbooks maintained in four of the five BFRA vehicles tested were not being updated and maintained.	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.	April 2017	TEM

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
3	We confirmed that the schedule of works is a manual spreadsheet compiled by the Transport Support Officer. This is updated every time a new vehicle is added/removed from the fleet. We confirmed that there is no reconciliation performed between MIS and the schedule to ensure that MI is up to date.	Low	A review of MIS will be undertaken to establish whether it has the functionality to produce a report detailing all changes to fleet which can be reviewed against the schedule of works.	April 2017	TEM
4	Due to the manual nature of copying defect information from FPS (Fleet Performance System) to MIS there is a risk that information is not copied accurately or completely between the two systems. The Transport Support officer advised that a reconciliation is not performed between FPS and MIS which increases the risk of an error not being caught.	Low	A review of the processes in place to update FPS and MIS once jobs have been completed will be undertaken to ensure the most efficient process is used to update both systems consistently.	April 2017	TEM
5	The monthly FTA inspections specified in the Health and Safety Policy have not been consistently carried out over the last three years with nine being completed in 2015, four in 2014 and five in 2013.	Medium	BFRA will ensure that a random monthly Freight Transport Agency (FTA) inspection is carried and documented as per the policy.	Jan 2017	TEM

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
6	The Service Delivery Asset Group (SDAG) Terms of Reference do not include enough information to support the groups.	Low	The Terms of Reference for the SDAG will be updated to include: • Decision making and quorum requirements; • Meeting frequency and reporting. A review schedule will be put in place to ensure the policies are reviewed and Terms of Reference approved regularly.	JAN 2017	HOS

3 DETAILED FINDINGS

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Area: Fleet Management						
1	The Repair and Maintenance of Appliances, Vehicles and Equipment service order details the maintenance schedule for all fleet vehicles. This is listed under three sections: Routine Maintenance, Daily checks and weekly checks that must be completed by fire station personnel or the person designated as responsible for maintaining the vehicle. These must be recorded in the vehicle's log book. **Workshops Maintenance Schedule** Fire and rescue appliances will undergo a full service at yearly intervals and minor services at three or four monthly intervals as appropriate. Ancillary vehicles will be serviced at six monthly intervals. **Interim Servicing** A service will be carried out if an appliance has been used	Yes	No	**Routine Maintenance** We obtained the May 2012 Repair and Maintenance Policy. We reviewed this and confirmed that the maintenance schedule is listed. An appendix is included that details which items should be checked under routine maintenance for all service vehicles. We confirmed that the maintenance schedule agrees to CFOA guidance which is based on Vehicle and Operator Services Agency (VOSA) best practice guidance. We also reviewed the Health and Safety Policy and vehicle logbooks (where records of daily/weekly checks are recorded). We noted that the logbook requirements for fire and rescue vehicles and the Health and safety requirements agreed to the Repair and Maintenance Policy. The logbook and Health and Safety Policy requirements for ancillary vehicles however did not agree to those included in the Repair and Maintenance Policy. The Repair and Maintenance Policy listed in the appendix that some checks that must be carried out daily and others that must be carried weekly, the Health and Safety Policy and logbook instructions stated that all these checks must be	Low	The Repair and Maintenance Policy will be updated to refer readers to the Health and Safety Policy and Vehicle Log books to prevent inconsistencies within documents.

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	continuously for 24 hours, has covered more than 6,000 miles since it's last service, or if an appliance fails to start due to battery failure.			carried out weekly. There is the risk that these checks are not carried out as required if users are following incorrect instructions. **Workshops Maintenance Schedule** We confirmed the schedule in the Repair and Maintenance Policy included the relevant detail on workshops maintenance. We agreed this to the CFOA guidance for Fire and Rescue appliances and that ancillary vehicle six month servicing is in line with manufacturers' guidance. **Interim Servicing** We confirmed that the schedule in the Repair and Maintenance Policy included the relevant detail on interim servicing. We confirmed that this is in line with the standard manufacturers' guidance.		
2	Daily and weekly vehicle routine inspection checks are performed in line with the Repair and Maintenance Service Order. Each vehicle has a logbook which must be completed by the driver in accordance with the policy. The Health and Safety at Work Policy states that completion of the required vehicles' user checks will be subject to periodic auditing and random sampling under Service auditing and monitoring policies.	Yes	No	We reviewed the logbooks for five fire and rescue and five ancillary vehicles. We obtained the handbooks for staff and the Officers in Charge and confirmed that these listed out the staff requirements around completing the logbooks and monitoring completion. From our review we noted the following: • The logbooks for two fire and rescue vehicles were not completed every time the vehicle was taken out in August 2016. • The logbooks for the ancillary vehicles were not completed weekly as per the logbook requirements. Out of a sample of five logbooks only one was completed weekly. Some of the ancillary vehicles are pool vehicles and are	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

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				therefore not driven weekly, and may be driven by several parties resulting in a higher risk the books will not be completed if no one or multiple people have used the car. We confirmed through discussion with the Transport and Engineering Manager that line managers carry out ad hoc reviews of the ancillary vehicle logbooks and the Watch Manager reviews the fire engine logbooks monthly in line with the Officers in Charge handbook. No documentation is kept of these reviews. Health and safety audits are carried twice a year on the logbooks, however, we were unable to confirm whether these had been completed as no evidence could be provided at the time of the audit. If the checks are not completed in line with the schedule and documented there is the risk that vehicle faults will not be identified. This increases the risk of accidents occurring which the Authority could be liable for which could lead to financial loss.		been taken out will carry out the checks and update the logbook.
3	A schedule of works has been completed for all Authority fleet vehicles which include the routine servicing and maintenance tasks which must be undertaken over the coming year. For routine maintenance jobs are booked in advance and vehicle users are notified at least two weeks prior.	Yes	No	We confirmed that the schedule of works is a manual spreadsheet compiled by the Transport Support Officer. This is updated every time a new vehicle is added/removed from the fleet. We confirmed that there is no reconciliation performed between MIS and the schedule to ensure it is up to date. There is the risk that a vehicle is not included and could therefore miss out on required servicing. For a sample of five current vehicles we confirmed that they are on the schedule of works with the required routine servicing being included	Low	A review of MIS will be undertaken to establish whether it has the functionality to produce a report detailing all changes to fleet which can be reviewed against the schedule of works.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				appropriately in line with when the vehicle was bought into service. The Transport Support Officer confirmed routine maintenance is allocated to the Workshops, but this is subject to change dependent on whether critical work comes in. If the workshops cannot get to the work before the current service period ends it is outsourced. When routine maintenance is scheduled and upcoming. The Transport Support Officer will call and email the station / vehicle user at least two weeks in advance to alert them to it. We obtained evidence of the notification process.		
4	BFRA has a process for reporting repairs: • The staff member responsible for the vehicle calls Control and logs the fault. • The officer in Control logs the issue in the fleet performance system. • The defect is added to MIS and this creates an automatic job number. • A technician is assigned to repair the vehicle. • A job card is completed for the defects, this includes details relating to the defect including: - Who reported the defect - The fleet number and category - Grade of the defect - Description of the defect	Yes	No	We selected five defects which had occurred since April 2016. We looked at each incident on FPS and confirmed they had been logged appropriately. The Admin Assistant Workshops explained that the staff member will assign a grade to the defect, and control / the Admin Assistant Workshops will review this to make sure it is appropriate with operational vehicles taking highest priority. We obtained the job cards and confirmed that these were completed appropriately by the technicians. We looked at the defect jobs on MIS and confirmed that the samples had been uploaded, the information was complete, and that costs for any parts used listed on the job card were appropriately assigned. Whilst we did not identify any exceptions, due to the manual nature of copying defect information	Low	A review of the processes in place to update FPS and MIS once jobs have been completed will be undertaken to ensure the most efficient process is used to update both systems consistently.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	- When work was started / completed - Actions taken/parts used - Hours worked - Technician signature • When the repair is complete and the job card signed off the repair is noted as complete in Fleet Performance System (FPS). • The repair information is added to MIS. • If appropriate a briefing of the issues identified is given to the operators.			from FPS to MIS there is the risk that information is not copied accurately or completely between the two systems. The Transport Support officer advised that a reconciliation is not performed between FPS and MIS which increases the risk of an error not being caught. Technicians will discuss the repair with the vehicle user when they attend the job. If the defect appears to be caused by neglect they will perform follow ups to ensure the vehicle is being handled appropriately.		
5	The Vehicle Certification Agency (VCA) complete inspections on all batches of large operational appliance vehicles prior to it going operational. This is part of the acceptance of the fleet. Per the Driving at Work Policy the Freight Transport Association (FTA) will carry out a monthly random sample inspection on a Heavy Goods Vehicle during the year to verify they are road worthy and therefore the repair and maintenance work is of appropriate quality.	Yes	No	We obtained and reviewed five VCA reports carried out on five different batches of vehicles. The Transport and Engineering Manager confirmed that the VCA check is completed prior to BRFS paying for the vehicles and putting them in service. We confirmed that no vehicles in these batches were put into service until a signed off inspection had been completed. We reviewed the schedule on MIS of recent inspections carried out by FTA. This showed that nine were carried out 2015, four in 2014 and five in 2013 against a target of 12 reviews per year. There is the risk that repairs and maintenance may not be completed to appropriate standards without an independent inspection that verifies the vehicles are roadworthy.	Medium	BFRA will ensure that a random monthly Freight Transport Agency (FTA) inspection is carried and documented out as per the policy.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
6	The Service Delivery Asset Group (SDAG) ensures there is sufficient capacity available in the fleet to meet the fire and rescue needs. It: • Provides a Strategic Planning Group to consider the provision or replacement of major service delivery assets, • Provides recommendations to Service Delivery Management Team (SDMT) on the provision or replacement of major service delivery assets, • Allocates major service delivery asset provision or replacement projects, and • Monitors the utilisation of vehicular assets and makes recommendations to SDMT to achieve best value. Once the need for a particular vehicle has been established the SDAG report to the SDMT on what the need is, and possible solutions together with anticipated costs.	Yes	No	We obtained the Terms of Reference for the Service Delivery Asset Group (SDAG) and noted that it was not dated and that there was no evidence of approval. We reviewed the document and noted that it contained the responsibilities of the group. However, it was brief and omitted necessary information such as decision making responsibilities, meeting frequency, reporting and quorum. There is a risk that without comprehensive terms of reference, the group will not fulfil its responsibilities within their remit. We obtained the SDAG meeting agendas and minutes and from January to July 2016. From review, we confirmed that standard agenda items included: • Vehicle and major equipment replacement programme; • Disposal of assets; • Current project updates; and • New projects. By review of the minutes we identified that discussions had been undertaken regarding specific vehicles and equipment due for replacement. We noted that action points from the previous SDAG meetings were reviewed at each meeting, where an update was provided.	Low	The Terms of Reference for the Service Delivery Asset Group (SDAG) will be updated to include: • Decision making and quorum requirements; • Meeting frequency and reporting. A review schedule will be put in place to ensure the policies are reviewed and Terms of Reference approved regularly.

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objective of the area under review
To ensure that the Authority's fleet of fire and rescue vehicles are appropriately serviced and maintained at all times

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

Areas for consideration:

We will review the arrangements in place to manage the fleet including completion of servicing and maintenance, and time allocation within the workshop.

- There is a Fleet Management policy and associated procedures in place which set out how the Authority and Service aim to service and maintain it vehicles.
- The policy sets out the roles and responsibilities of key staff and staff groups, and identifies any relevant statutory or best practice standards which must be met;
- A schedule of works has been developed for all authority fleet vehicles (Engines, rapid response vehicles and pool cars etc) which includes the servicing and maintenance tasks which must be undertaken on a daily, weekly, monthly and other periodic basis.
- A process is in place to ensure that all new vehicles and disposals are updated on the schedule of works and a monthly reconciliation is completed between the schedule and asset register to ensure that all vehicles are included
- A system is in place to identify where jobs are due in advance of their expiry date to allow down time for the vehicle to be planned in advance for the work to be completed on time.
- Processes are in place to ensure that there continues to be sufficient capacity within the available fleet to meet the fire and rescue needs of the local population.
- Appropriate records are maintained to evidence the completion of tasks. This includes signed job sheets and appropriate documentation to identify the parts used on the vehicle.
- Where damage or faults are identified with the vehicles, they are assessed and either taken out of service or return to service with an appropriate briefing of the issues identified given to the operators.
- Action plans are put in place to ensure that damage and faults repair tasks are completed in a timely basis.
- An appropriate inspection programme is in place to ensure the quality of the repair and maintenance work undertaken.

- Daily and weekly vehicle inspection checks are undertaken to ensure they are roadworthy.
- The Authority is regularly updated on fleet management issues through the Corporate Services Planning and Challenge Group.

Limitations to the scope of the audit assignment:

- We have not confirmed that the Authority's fleet are in an appropriate working orders
- We have not confirmed that all relevant servicing and maintenance tasks have been identified and are being undertaken on a periodic basis.
- We have not included equipment maintenance within the review as this areas was audited within the 2014/15 audit plan.
- We have not confirmed that all repairs and maintenance tasks have been fully completed to an appropriate standard.
- We have not confirmed whether parts used for repairs and maintenance have been accurately updated within the stock system as this will be tested during the stocks/inventory audit.
- We have not confirmed that the Authority has an appropriately sized fleet to meet the needs of the local population.
- Our auditors are not mechanics and therefore we have not provided an opinion on these aspects of fleet management.
- All testing has been undertaken on a sample basis and findings will be extrapolated appropriately.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Darren Cook, Technical Support Manager for Workshops.
- Ray Willett, Transport and Engineering Manager.
- Gill Pritchett, Transport Support Officer
- Lisa Iles, Admin Assistant Workshops

FOR FURTHER INFORMATION CONTACT

Suzanne Lane

Suzanne.Lane@rsmuk.com

07720508148

Lee Hannaford

Lee.Hannaford@rsmuk.com

07816161439

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
16 March 2017
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 2015/16
- Minutes of the Audit Committee dated 5 April 2012

Implications (tick ✓):

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

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

PURPOSE:

To report on progress made to date against current action plans arising from internal and external audit reports and from the Fire Authority's 2015/16 Annual Governance Statement.

RECOMMENDATION:

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

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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 2016/17.

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 2016/17 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 2016/17 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. Monitoring Report of Actions Arising from the Authority's Annual Governance Statement

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 2015/16 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 7 September 2016, as part of the 2015/16 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)

Monitoring Report of Actions Arising from Audit Reports **APPENDIX A**
(incorporating any actions outstanding at 31 March 2016 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')
FC (15/16) 1	**RSM** (Follow up) May 16: Final Report (15/16)	Fuel Cards	Medium	The authority to undertake a review of the consistency and effectiveness of fuel reserve control activities to ensure these are effective and embedded, taking advantage of appropriate technologies to reduce manual systems.	Following a review of fuel allocation to Service vehicles I can confirm that there have been no reported issues in relation to mis-fueling of vehicles or instances where an incorrect fuel card has been used to purchase fuel for a Service vehicle. Monthly fuel returns continue to be scrutinised by Station Commanders. The Service is currently in the process of budget identification to enable the procurement of an electronic solution, to automate the issue and recording of fuel from Service sites that hold a bunkered stock. Following a further review of the fuel reserve control activities I can confirm that all Fire stations that hold a bunkered fuel reserve are now using the electronic recording system effectively, a few RDS Stations that do not hold a bunkered fuel reserve are awaiting their training on the electronic system to enable the recording of individual fuel purchase transactions to be recorded in the same manner. Monthly fuel returns are scrutinised by Stn/C's who confirm that fuel allocated aligns with the meter readings on station, any discrepancies that are identified are dealt with appropriately following investigation by the Stn/C.	**Original** Mar 17	Completed – To be confirmed by Follow up Audit

Monitoring Report of Actions Arising from Audit Reports
(incorporating any actions outstanding at 31 March 2016 from earlier reports)

APPENDIX A

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')
					The reconciliation of monthly records provide a total figure for fuel purchase, allocation and bunkered stock held which is reported in the Transport and Asset Management plan. Work is ongoing to identify an appropriate technological solution to further reduce the manual element of fuel allocation, recording and monitoring. Budget is approved for 2018/19 and we will have funds to procure an automated system.		

APPENDIX B

Monitoring Report of Actions Arising from 2015/16 Annual Governance Statement (incorporating any actions outstanding from the 2014/15 Annual Governance Statement)

No	Issue	Source	Planned Action	Progress to date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
1	Medium Term Budget/CRMP	Assurance Statements	Following the receipt of the four year funding deal, to review/consider and if appropriate sign up to this. The medium term funding gap still needs addressing for year 2020/21.	The FRA approved the 2017/18 budget on 9th February 2017. A budget gap remains in the medium term, but currently not until 2021/22. We await to see how the funding changes from April 2020 will impact the Authority.	Feb 2017	Completed

Monitoring Report of Actions Arising from 2015/16 Annual Governance Statement (incorporating any actions outstanding from the 2014/15 Annual Governance Statement)

No	Issue	Source	Planned Action	Progress to date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
2	Review of Authority Effectiveness	All actions from the 2015/16 Review of Authority Effectiveness Action Plan to be completed during 2016/17 and formally reviewed by Members as part of the following year's process	All actions from the 2015/16 Review of Authority Effectiveness Action Plan to be completed during 2016/17 and formally reviewed by Members as part of the following year's process.	A Form of review of the FRA's Effectiveness Questionnaire was agreed and completed by Members at a facilitated meeting on 27 January 2016. On 17 March 2016, the Audit and Standards Committee considered the outcome of the Review, including any identified areas for improvement, and agreed performance objectives for the coming year. The 2015/16 Review of the FRA's Effectiveness and Action Plan for 2016/17 was agreed by the FRA on 19 April 2016 for inclusion in the FRA's Annual Governance Statement, which was agreed to be part of the 2015/16 Statement of Accounts. Proposals for the review of the Fire and Rescue Authority's effectiveness in 2016/17 was agreed at the Audit and Standards Committee on 7 September 2016 namely: Policy and Challenge Groups and Committee reviewed their effectiveness by considering three overarching questions to feed into the FRA Review of Effectiveness; and FRA Members were requested to complete a revised questionnaire for a facilitated annual review of the Fire Authority on 17 January 2017. The Review of Effectiveness carried out by the Policy and Challenge Groups, Committee and from the facilitated annual review on 17 January 2017 will be considered by Audit and Standards Committee on 16 March 2017.	Mar 2017	In progress

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
14 March 2017
Item No. 9

REPORT AUTHOR: **CHIEF FIRE OFFICER AND TREASURER**

SUBJECT: **TREASURY MANAGEMENT STRATEGY AND PRACTICES**

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 2016/17 were scrutinised by the Corporate Services Policy and Challenge Group on 7 March 2016 and approved by the Fire and Rescue Authority on 19 April 2016.

Implications (tick ✓):

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

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

PURPOSE

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

RECOMMENDATION

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

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

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1. <u>Outcome</u>

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

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

2.1 Treasury management activities can be defined as follows:

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

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

3. Updated Documentation

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

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

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

3.2 The updated Treasury Management Strategy Statement is attached at Appendix A. There are no material updates from the 2016 statement to comment on.

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

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

Again, there are no material updates to comment on for 2017.

4. Treasury Management and Support

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

- Training sessions were provided to Members in 2011 and 2013 by Capita Asset Services.

- The most recent training was again provided by Capita at the Members Development on 2 July 2015.

5. Equality and Diversity Implications

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

6. Financial Implications and Value for Money

6.1 The Authority currently has:

- a total borrowing of £9.987m,
- short-term investments of up to £10m,
- budgeted interest of £70k in 2017/18 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 CBE QFSM
CHIEF FIRE OFFICER

GAVIN CHAMBERS
TREASURER

APPENDIX A

Bedfordshire Fire and Rescue Service

Fire and Rescue Service

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2017/18

1. Introduction

1.1 Background

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

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

CIPFA defines treasury management as:

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

1.2 Statutory Requirements

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

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

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

1.3 CIPFA Requirements

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

The primary requirements of the Code are as follows:

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

1.4 Treasury Management Strategy for 2017/18

The suggested strategy for 2017/18 in respect of the following aspects of the treasury management function, is based upon the Treasury Officer's views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury adviser, Capita Asset Services and in liaison with the Head of Finance and Treasurer.

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Authority
- Prudential and Treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the borrowing strategy

- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers
- the Minimum Revenue Position strategy

1.5 Balanced Budget Requirement

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

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

2. Treasury Limits for 2017/18 to 2018/19

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

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

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

3. **Current Portfolio Position**

The Authority's treasury portfolio position at 31 December 2016 comprised:

		Principal	Average Rate
		£'000	
Fixed rate borrowing	Public Works Loan Board (PWLB)	10,087	4.19%
Variable rate borrowing		-	
Other long-term liabilities		132	
Gross Debt		10,219	
Total Investments		13,996	
Net Debt/(Surplus)		**(3,777)**	

4. Borrowing Requirement

The Authority's borrowing requirement is as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000 Estimate	**£'000 Estimate**	**£'000 Estimate**	**£'000 Estimate**	**£'000 Estimate**
New borrowing	0	0	0	0	0
Alternative financing arrangements	1274	1278	1656	1533	1300
Replacement borrowing	0	0	0	0	0
Total CFR (Borrowing Requirement)	**1274**	**1278**	**1656**	**1533**	**1300**

5. Prudential and Treasury Indicators for 2017/18 – 2020/21

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

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

6. **Prospects for Interest Rates**

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

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (ie by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (eg from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

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 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 start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been 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, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. 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 strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may 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 would be likely to exert some upward pressure on bond yields in other developed countries but 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 in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.

- Major national polls:
    - Italian constitutional referendum 4.12.16 resulted in a ‘No’ vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
    - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
    - Dutch general election 15.3.17;
    - French presidential election April/May 2017;
    - French National Assembly election June 2017;
    - German Federal election August – October 2017.

- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats.
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK’s main trading partners - the EU and US.

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

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK’s sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Investment and borrowing rates

- Investment returns are likely to remain low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4 August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a ‘hard Brexit’, the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance 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.

7. Borrowing Strategy

7.1 Borrowing Rates

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

	Mar-17	Jun-17	Sept-17	Dec-17	Mar-18	Mar-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.80%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.20%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.80%	2.80%	3.00%	3.20%

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

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Head of Finance and Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

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

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

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

7.2 **External v Internal Borrowing**

The table below shows the PWLB debt of £10,087,000. This is made of up three loans. Two were taken out in 2006 and 2008 to fund the Capital programme for those years. These are both fixed rate loans over a period of 50 years. The third loan was taken out during 2012 to fund a Capital purchase during that year. This third loan is a fixed rate loan over 4 years and 6 months and is due for repayment in March 2017.

Cash balances are made up of cash in the bank and Investments. We currently have five investments totalling a value of £7,000,000 however by 31 March 2017, one investment will have matured but will be re-invested.

Current Portfolio Position

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

£m	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
External Debt						
Debt at 1 April	10,087	10,087	9,987	9,987	9,987	9,987
Expected change in Debt		(100)				
Other long-term liabilities (OLTL)	209	132	70	6	0	0
Expected change in OLTL	0	0	0	0	0	0
Actual debt at 31 March	**10,296**	**10,119**	**10,057**	**9,993**	**9,987**	**9,987**
The Capital Financing Requirement	**9,900**	**8,876**	**8,383**	**7,892**	**7,464**	**7050**
Under / (over) borrowing	**(396)**	**(1,243)**	**(1,674)**	**(2,101)**	**(2,523)**	**(2,937)**
Total investments at 31 March						
Investments	**13,915**	**10,000**	**10,000**	**10,000**	**9,000**	**8,000**
Investment change	0	(3,915)	0	0	(1,000)	(1,000)
Net Debt	**3,619**	**(119)**	**(57)**	**13**	**(987)**	**(1,987)**

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

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

Treasury Indicators: Limits to Borrowing Activity

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

Operational boundary £m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2020/21 Estimate
Borrowing	10,087	9,987	9,987	9,987
Other long term liabilities	132	70	6	0
Overdraft	0	0	0	0
Total	10,219	10,057	9,993	9,987

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

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

2. The FRA is asked to approve the following Authorised Limit:

Authorised limit £m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2020/21 Estimate
Borrowing	10,087	9,987	9,987	9,987
Other long term liabilities	132	70	6	0
Overdraft	0	0	0	0
Worst Case Scenario Payroll	1,900	1,900	1,900	1,900
Total	12,119	11,957	11,893	11,887

7.3 **Policy on Borrowing in Advance of Need**

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

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

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

8. **Debt Rescheduling**

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

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

The reasons for any rescheduling to take place will include:

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

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

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

9. **Annual Investment Strategy**

9.1 **Investment Policy**

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

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

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

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

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

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

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

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

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

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

9.2 Creditworthiness Policy

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

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

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

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

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

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

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

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

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

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.

9.3 **Country Limits**

The Authority has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of *AA-* from Fitch Ratings (or equivalent from other agencies if Fitch does not provide) or UK banks who meet the Capita 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.

9.4 **Investment Strategy**

In-house funds:

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

Investment returns expectations: Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

2016/2017	0.25%
2017/2018	0.25%
2018/2019	0.25%
2019/2020	0.50%

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

2016/17	0.25%
2017/18	0.25%
2018/19	0.25%
2019/20	0.50%
2020/21	0.75%
2021/22	1.00%
2022/23	1.50%
2023/24	1.75%
Later years	2.75%

The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and/or forecasts for increases in inflation rise, there could be an upside risk, ie Bank Rate increases occur earlier and/or at a quicker pace

9.5 **End of Year Investment Report**

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

9.6 **Policy on the Use of External Service Providers**

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

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

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

9.7 **Scheme of Delegation**

Please see Appendix 6.

9.8 **Role of the Section 151 Officer**

Please see Appendix 7.

Appendices

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

MINIMUM REVENUE PROVISION POLICY STATEMENT 2017/18

The Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10 and will assess their MRP for 2017/18 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 2017/18 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.

INTEREST RATE FORECASTS

1. Individual Forecasts

Capital Asset Services

Interest rate forecast – February 2017

	Now	Mar 17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
5yr PWLB rate	1.38%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%
10yr PWLB rate	2.11%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%
25yr PWLB rate	2.78%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%
50yr PWLB rate	2.54%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%

Capital Economics

Interest rate forecast – January 2017

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.40%	1.60%	1.80%	2.00%	2.10%	2.20%	2.30%	2.40%
10yr PWLB rate	2.20%	2.30%	2.40%	2.55%	2.60%	2.70%	2.70%	2.80%
25yr PWLB rate	2.75%	2.90%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%
50yr PWLB rate	2.70%	2.80%	2.90%	3.10%	3.10%	3.20%	3.20%	3.30%

PRUDENTIAL AND TREASURY INDICATORS

Prudential & Treasury Indicators	2016/17	2017/18	2018/19	2019/20
Affordability Indicators				
Ratio of financing costs to net revenue stream	2.61%	2.68%	2.63%	2.54%
Estimated incremental impact of capital investment decisions on Band D Council Tax	£0.00	£0.00	£0.00	£0.00
Capital Expenditure Indicators	**£000**	**£000**	**£000**	**£000**
Capital Financing Requirement	8,877	8,383	7,892	7,465
External Debt Indicators				
Authorised Limit for External Debt				
Borrowing	11,987	11,887	11,887	11,887
Other long-term liabilities	132	70	6	0
Total	12,119	11,957	11,893	11,887
Operational Boundary for External Debt				
Borrowing	10,087	9,987	9,987	9,987
Other long-term liabilities	132	70	6	0
Total	10,219	10,057	9,993	9,987
Treasury Management Indicators				
Upper limit for fixed interest rate exposure	291	312	312	312
Upper limit for variable interest rate exposure	97	104	104	104
Upper limit for total principal sums invested for over				

Prudential & Treasury Indicators	**2016/17**	**2017/18**	**2018/19**	**2019/20**
364 days (per maturity date)	0	0	0	0
Maturity structure of fixed rate borrowing during 2017/18:	**Upper Limit**		**Lower Limit**	
Under 12 months	0%		0%	
12 months and within 24 months	0%		0%	
24 months and within 5 years	0%		0%	
5 years and within 10 years	0%		0%	
10 years and above	100%		100%	

ECONOMIC BACKGROUND

UK - GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3, ie a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a ‘business as usual’ mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics’ GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed', ie to **promote growth**; there are two main options he can follow – fiscal policy, eg cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (ie without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth, eg by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16).This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

<u>USA</u> - The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ - In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ:

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.

- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also ‘too big, and too important to their national economies, to be allowed to fail’.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy’s core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia - Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China, eg a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The Government is also making little progress on fundamental reforms of the economy.

Emerging Countries - There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that $340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit Timetable and Process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members, ie not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- 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 may also exit without any such agreements.

- 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 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.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

<u>**SPECIFIED AND NON-SPECIFIED INVESTMENTS**</u>

SPECIFIED INVESTMENTS:

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

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

Strategy for specified Investments:

The Authority expects to have a net surplus of funds throughout 2017/18 and will invest those funds through the money market with those organisations included on its approved lending list (attached as Annex A).

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

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

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

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

Non-Specified Investments:

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

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

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

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

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

Approved countries for investments

Based on lowest available rating

AAA

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

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar
- UK

AA-

- Belgium

Term deposits with nationalised banks and banks and building societies

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

Weekly Credit List: 10/02/2017										
Institution Benchmark: iTraxx Senior Financials Index 91.97 (88.22)										
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+	-	-	-	Aa1	-	-	AA	-	
Abbey National Treasury Services plc	A	F1	-	1	Aa3	P-1	-	-	-	R - 6 mths
Bank of Scotland Plc	A+	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Barclays Bank plc	A	F1	a	5	A1	P-1	-	A-	A-2	R - 6 mths
Close Brothers Ltd	A	F1	a	5	Aa3	P-1	-	-	-	R - 6 mths
Goldman Sachs International Bank ~	A	F1	-	-	A1	P-1	-	A+	A-1	R - 6 mths
HSBC Bank plc	AA-	F1+	a+	1	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Lloyds Bank Plc	A+	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Santander UK plc	A	F1	a	2	Aa3	P-1	-	A	A-1	R - 6 mths
Standard Chartered Bank	A+	F1	a	5	Aa3	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 ~	A+	F1	-	1	A1	P-1	-	A+	A-1	R - 6 mths
Coventry BS	A	F1	a	5	A2	P-1	-	-	-	R - 6 mths
Leeds BS	A-	F1	a-	5	A2	P-1	-	-	-	R - 6 mths
Nationwide BS	A+	F1	a	5	Aa3	P-1	-	A	A-1	R - 6 mths
Skipton BS	A-	F1	a-	5	Baa2	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	A3	P-2	-	BBB+	A-2	

Weekly Credit List: 10/02/2017										
Institution Benchmark: iTraxx Senior Financials Index 91.97 (88.22)										
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										
U.S.A	AAA	-	-	-	Aaa	-	-	AA+	-	
Bank of America, N.A.~	A+	F1	a	5	A1	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	R - 6 mths
JPMorgan Chase Bank NA	AA-	F1+	a+	5	Aa2	P-1	-	A+	A-1	O - 12 mths
Wells Fargo Bank NA	AA	F1+	aa-	5	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Abu Dhabi (U.A.E)	AA	-	-	-	Aa2	-	-	AA	-	
National Bank of Abu Dhabi	AA-	F1+	a-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Australia	AAA	-	-	-	Aaa	-	-	AAA	-	
Australia and New Zealand Banking Group Ltd	AA-	F1+	aa-	1	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Commonwealth Bank of Australia	AA-	F1+	aa-	1	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Macquarie Bank Limited	A	F1	a	3	A2	P-1	-	A	A-1	R - 6 mths

Item 9 Annex A

National Australia Bank Ltd	AA-	F1+	aa-	1	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Westpac Banking Corporation	AA-	F1+	aa-	1	Aa2	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	R - 6 mths
KBC Bank NV	A-	F1	a-	5	A1	P-1	-	A	A-1	R - 6 mths
Canada	AAA	-	-	-	Aaa	-	-	AAA	-	
Bank of Montreal	AA-	F1+	aa-	2	Aa3	P-1	-	A+	A-1	O - 12 mths
Bank of Nova Scotia	AA-	F1+	aa-	2	Aa3	P-1	-	A+	A-1	O - 12 mths
Canadian Imperial Bank of Commerce	AA-	F1+	aa-	2	Aa3	P-1	-	A+	A-1	O - 12 mths
National Bank of Canada	A+	F1	a+	2	Aa3	P-1	-	A	A-1	R - 6 mths
Royal Bank of Canada	AA	F1+	aa	2	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Toronto Dominion Bank	AA-	F1+	aa-	2	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Denmark	AAA	-	-	-	Aaa	-	-	AAA	-	
Danske Bank	A	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Finland	AA+	-	-	-	Aa1	-	-	AA+	-	
Nordea Bank Finland plc ~	-	-	-	-	Aa3	-	-	-	-	O - 12 mths
OP Corporate Bank plc	-	-	-	-	Aa3	P-1	-	AA-	A-1+	O - 12 mths
France	AA	-	-	-	Aa2	-	-	AA	-	
BNP Paribas	A+	F1	a+	5	A1	P-1	-	A	A-1	R - 6 mths
Credit Agricole Corporate and Investment Bank	A	F1	-	-	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
Credit Agricole SA	A	F1	a	5	A1	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	A1	P-1	-	-	-	R - 6 mths
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	-	-	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Landesbank Baden Wuerttemberg	A-	F1	bbb+	1	Aa3	P-1	-	-	-	R - 6 mths
Landesbank Berlin AG	-	-	-	-	Aa3	P-1	-	-	-	O - 12 mths
Landesbank Hessen-Thueringen Girozentrale (Helaba)	A+	F1+	-	-	Aa3	P-1	-	A	A-1	O - 12 mths
Landwirtschaftliche Rentenbank	AAA	F1+	-	1	Aaa	P-1	-	AAA	A-1+	P - 24 mths
Norddeutsche Landesbank Girozentrale	A-	F1	bb+	1	A3	P-2	-	-	-	G - 100 days
NRW.BANK	AAA	F1+	-	1	Aa1	P-1	-	AA-	A-1+	P - 24 mths
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	AA+	F1+	-	1	Aaa	P-1	-	AAA	A-1+	P - 24 mths
Cooperatieve Rabobank U.A.	AA-	F1+	a+	5	Aa2	P-1	-	A+	A-1	O - 12 mths
ING Bank NV	A+	F1	a+	5	A1	P-1	-	A	A-1	R - 6 mths
Nederlandse Waterschapsbank N.V	-	-	-	-	Aaa	P-1	-	AAA	A-1+	P - 24 mths
Qatar	AA	-	-	-	Aa2	-	-	AA	-	
Qatar National Bank	AA-	F1+	a-	1	Aa3	P-1	-	A+	A-1	O - 12 mths
Singapore	AAA	-	-	-	Aaa	-	-	AAA	-	
DBS Bank Ltd	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Oversea Chinese Banking Corporation Ltd	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
United Overseas Bank Ltd	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Sweden	AAA	-	-	-	Aaa	-	-	AAA	-	
Nordea Bank AB	AA-	F1+	aa-	2	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Skandinaviska Enskilda Banken AB	AA-	F1+	aa-	2	Aa3	P-1	-	A+	A-1	O - 12 mths
Swedbank AB	AA-	F1+	aa-	2	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Svenska Handelsbanken AB	AA	F1+	aa	2	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Switzerland	AAA	-	-	-	Aaa	-	-	AAA	-	
Credit Suisse AG	A	F1	a-	5	A1	P-1	-	A	A-1	G - 100 days
UBS AG	A+	F1	a	5	Aa3	P-1	-	A+	A-1	O - 12 mths
United Overseas Bank Ltd	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths

APPENDIX B

Bedfordshire and Fire and Rescue Service

Fire and Rescue Service

TREASURY MANAGEMENT PRACTICES

2017/18

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:

TMP1 RISK MANAGEMENT

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

1. Credit and Counterparty Risk Management

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

1.1. Policy on the Use of Credit Risk Analysis Techniques

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

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

* Moodys Financial Strength Rating

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

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

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

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

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

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

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

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

   - Maximum amount to be placed with any one institution - £5m.
   - Group limits where a number of institutions are under one ownership – maximum of £7m.
   - Capita limits.

- Country limits – a minimum sovereign rating of AA- is required for an institution to be placed on our approved lending list.

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

10. Full individual listings of counterparties and counterparty limits as at 10 February 2017 is attached at Annex A.

2. Liquidity Risk Management

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

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

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

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

3. Interest Rate Risk Management

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

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

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

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

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

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

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

4. **Exchange Rate Risk Management**

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

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

5. <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 2016/17 budget and continues to do so in the 2017/18 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. **Fraud, Error and Corruption, and Contingency Management**

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

The Authority will, therefore:

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

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

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

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

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

7.1.1 **Authority**

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

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

7.1.2 **Procedures**

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

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

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

7.1.3 **Investment and Borrowing Transactions**

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

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

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

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

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

7.1.4 **Regularity and Security**

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

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

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

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

7.1.5 **Checks**

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- A debt charge/investment income listing is produced every six months when a review is undertaken against the budget for interest earnings and debt costs
- The Authority will ensure that the external funds we invest in, are accounted for in accordance with proper accounting practices.

- The Authority will treat our external fund(s) as our own investments and will separate the assets into their component parts. As a result, the Authority will only take realised gains and losses and interest (accrued and received) to the Income and Expenditure Account.

7.1.6 Calculations

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

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

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

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

7.2 Emergency and Contingency Planning Arrangements

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

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

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

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

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

7.3 Protection 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 364 days and are with:

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

Strategy for specified Investments:

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

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

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

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

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

Non-Specified Investments:

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

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

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

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

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

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

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands

- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar
- UK

AA-

- Belgium

Term deposits with nationalised banks and banks and building societies

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

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

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

6. **<u>Benchmarks and Calculation Methodology</u>**

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 Capita Asset Services Ltd to provide training for individual members of staff engaged on treasury related activities.

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

1. Details of Approved Training Courses

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

2. Records of Training Received by Treasury Staff

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

3. Approved Qualifications for Treasury Staff

Chief Financial Officer

Title: Head of Finance and Treasurer
Professional Qualifications: CPFA

Officer responsible for TM under HFT

Title: Chief Accountant
Professional Qualifications: 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:

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

a. Regulatory status: investment adviser authorised by the FSA.

b. Contract commenced 1 June 2015 and runs for three years to 31 May 2018.

c. Cost of service is £5,625 + VAT (increasing by 2.1% each year).

d. Payments due on 30 June 2015, 30 June 2016 and 30 June 2017.

3.2 **Credit Rating Agency**

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

TMP 12 CORPORATE GOVERNANCE

List of Documents to be Made Available for Public Inspection

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

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

The following documents are available for public inspection:

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

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
14 March 2017
Item No. 10

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

SUBJECT: **CORPORATE SERVICES RISK REGISTER**

For further information on this Report contact: Group Commander Darren Cook
Safety and Special Projects
Tel No: 01234 845 163

Background Papers: None

Implications (tick ✓):

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

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

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

RECOMMENDATION:

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

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1. Introduction

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

1.2 An extract of the Corporate Risk Register showing the risks appropriate to the Corporate Services Policy and Challenge Group 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 risks that are reported the Corporate Services Policy and challenge Group have been reviewed and there are no risk rating changes to report to Members.

2.3 Updates to individual risks in the Corporate Risk Register:

- **CRR00039: If we have inadequate data management due to poor implementation, inappropriate specification of requirements or poor quality control measures then we are at risk of using the wrong information throughout the organisation and thus potentially affecting the delivery of our services.**

  The new HR/Payroll system is live and is the principal source of people-related information. Integrations are in development to synchronise this information with other systems. The collaboration with Devon and Somerset FRS in the development of workbench is continuing.

- **CRR00045: Exchanges of information such as email, web browsing, removable media, social media, exposes the Service to malicious code and content (malware). There is a risk that malware could seriously damage the confidentiality, integrity and availability of our Service's information and ICT resulting in disruption to the delivery of our Services, unauthorised export of sensitive information, material financial loss and legal or regulatory sanctions.**

  A briefing on Cyber Security was delivered at the Management Briefing day (24 November 2016), as part of the on-going awareness programme for Managers. Penetration testing continues regularly and the outcomes of which inform action plans for all impacted departments.

2.4 Corporate Services Policy and Challenge Group have nine risks (listed at Appendix A) reporting directly to members that are categorised as 'treat', four of these risks have been reported to Members. These treated risks have had preventative actions put in place to reduce the possibility of an impact occurring.

2.5 All corporate risks are reviewed monthly and recorded by their owners for audit and scrutiny purposes.

GROUP COMMANDER DARREN COOK
SAFETY AND SPECIAL PROJECTS

Corporate Services Policy and Challenge Group ‘*Treated Risks*’

CRR00004	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. Maintaining our staff numbers.
CRR00043	If the Service suffers a terrorist attack then there is the potential for elements of the Critical National Infrastructure (CNI) to be compromised, our ability to respond to emergency incidents could be significantly affected, we would be unable to fulfil our duties under the Civil Contingencies Act and our reputation could be adversely affected. Ensure the Service’s arrangements are effective in the event of a terrorist attack.
CRR00045	Exchanges of information such as email, web browsing, removable media, social media, exposes the Service to malicious code and content (malware). There is a risk that malware could seriously damage the confidentiality, integrity and availability of our Service’s information and ICT resulting in disruption to the delivery of our Services, unauthorised export of sensitive information, material financial loss and legal or regulatory sanctions. Malicious code within information exchange.
CRR00027	If we receive a poor budget settlement from government and the Local Authorities covering both revenue and capital funds and we have an adverse response from our Council Tax Precept consultation processes, then our ability to deliver a full range of services could be significantly affected. Managing our finances to ensure delivery of service.
CRR00039	If we have inadequate data management due to poor implementation, inappropriate specification of requirements or poor quality control measures then we are at risk of using the wrong information throughout the organisation and thus potentially affecting the delivery of our services. Ensure that our data management arrangements are robust.
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. Managing external partnership and collaborative relationships.
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. Ensuring our assets are tracked and maintained.
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. Maintain effective communication with our staff, partners and communities.
CRR00008	If we do not monitor our key external suppliers of goods and services, particularly in regard to business continuity, then we may suffer a significant and detrimental impact on our ability to deliver our full range of services including emergency response. Ensure key external suppliers can maintain delivery at all times.

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.

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
14 March 2017
Item No. 14

REPORT AUTHOR: **CHIEF FIRE OFFICER**

SUBJECT: **REVIEW OF WORK PROGRAMME 2016/17**

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

Background Papers: None

Implications (tick ✓):

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

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

PURPOSE:

To review and report on the work programme for 2016/17 and to provide Members with an opportunity to request additional reports for the Corporate Services Policy and Challenge Group meetings for 2017/18.

RECOMMENDATION:

That Members review the work programme for 2016/17 and note the ‘cyclical’ Agenda Items for each meeting in 2017/18.

PAUL M FULLER CBE QFSM
CHIEF FIRE OFFICER

CORPORATE SERVICES POLICY AND CHALLENGE GROUP (CSPCG) PROGRAMME OF WORK 2016/17

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
9 June 2016	• Election of Vice Chair • Terms of Reference • Minutes of Shared Service IT Governing Body • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2015/16 Year End Report and Programmes to date • Treasury Management Annual Report • Asset Management Policy and Plans – ICT, Land & Buildings and Transport • Corporate Risk Register • Work Programme 2016/17 • Review of Use of the Regulation of Investigatory Powers Act (RIPA)	Included in Review of Monitored Policies at Dec's Audit and Standards		

Meeting Date	‘Cyclical’ Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
14 September 2016	• Minutes of Shared Service IT Governing Body • Revenue Budget and Capital Programme Monitoring 2016/17 • 2017/18 Revenue Budget and Capital Programme (Planning Arrangements) • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2016/17 Quarter 1 and Programmes to date • Annual Review of the Operation of ICT Shared Service Agreement’ • Corporate Risk Register • Work Programme 2016/17		• Community Facilities Charges at Stations	Added at FRA Briefing 24 May 2016

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
6 December 2016	• Minutes of Shared Service IT Governing Body • Revenue Budget and Capital Programme Monitoring 2016/17 • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2016/17 Quarter 2 and Programmes to date • Treasury Management Mid Year Review Report • Review of the Fire Authority's Effectiveness • Corporate Risk Register • Work Programme 2016/17			

CORPORATE SERVICES POLICY AND CHALLENGE GROUP (CSPCG) PROGRAMME OF WORK 2016/17

Meeting Date	‘Cyclical’ Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
14 March 2017	• Minutes of Shared Service IT Governing Body • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2016/17 Quarter 3 and Programmes to date • Proposed Corporate Services Indicators and Targets 2017/18 • Treasury Management Strategy and Practices • Corporate Risk Register • Review of Work Programme 2016/17	Review IM1, Workshop PIs and FNP6		

Recommended Future Items for Consideration for CSPCG

Update on review into utility usage and particular stations where usage is higher than expected – Requested at meeting on 9 June 2016 (To be included in Asset Management Plan)
Review of ICT Shared Service Agreement - Requested at meeting 14 September 2016 and included on the Agenda 14 September 2016

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 • 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 • Asset Management Policy and Plans – ICT, Property and Fleet • Risk Register • Work Programme 2017/18		Review of Protection Programme and Insurance Provision	HFT – March 2016

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
13 September 2017	• Minutes of Shared Service IT Governing Body • 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			

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
29 November 2017	• Minutes of Shared Service IT Governing Body • 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 the Fire Authority's Effectiveness • Corporate Risk Register • Work Programme 2017/18			

Recommended Future Items for Consideration for CSPCG

Report / Presentation on Investment in the Service's servers and other ICT infrastructure – Requested at CSPCG meeting 6 December 2016

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