BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Members of Corporate Services Policy and Challenge Group.

Bedford Borough Councillors: M Headley

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

Luton Borough Councillors: R Saleem

A meeting of **Corporate Services Policy and Challenge Group** will be held at **Conference Room, Fire and Rescue Service Headquarters, Kempston, Bedford MK42 7NR** on **Wednesday, 27 February 2019** starting at **10.00 am.**

Nicky Upton
Democratic and Regulatory and Services Supervisor

Public Document Pack

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 (see note below).

Item	Subject	Lead	Purpose of Discussion
3.	Communications	Chair	Including minutes of recent ICT Board meetings (Pages 5 - 8)
4.	Minutes	Chair	To confirm the minutes of the meeting held on 27 November 2018 (Pages 9 - 16)
5.	Corporate Services Performance Monitoring Report - Quarter 3	ACO/CFO	To consider a report (Pages 17 - 22)
6.	Corporate Services Programmes to date - Quarter 3	ACO/CFO	To consider a report (Pages 23 - 36)
7.	Proposed Corporate Services Indicators and Targets for 2019/20	ACO/CFO	To consider a report (Pages 37 - 44)
8.	New Internal Audit Report Completed to date	ACO/CFO	To consider a report (Pages 45 - 78)
9.	Audit and Governance Action Plan Monitoring Report	ACO/CFO	To consider a report (Pages 79 - 86)
10.	Revenue Budget and Capital Monitoring Programme 2018/19 as at 31 January 2019	ACO	To consider a report (Pages 87 - 94)
11.	Treasury Management Strategy and Practices	ACO	To consider a report (Pages 95 - 188)
12.	Corporate Risk Register	OAM	To consider a report (Pages 189 - 194)
13.	Review of Work Programme 2018/19	Chair	To consider a report (Pages 195 - 200)
	Next Meeting		10.00 am on 25 June 2019 at Conference Room, Fire and Rescue Service Headquarters, Kempston, Bedford MK42 7NR

DECLARATIONS OF INTEREST

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

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

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MINUTES OF THE ICT SHARED SERVICE GOVERNANCE BOARD MEETING HELD ON 08 FEBRUARY 2019

Present:	Director of Resources (CFRS) (Chair)	M Warren (MW)
	Deputy Chief Fire Officer (BFRS)	A Hopkinson (AH)
	ICT Service Delivery Manager (CFRS)	M Dix (MD)
	Head of ICT (BFRS)	P Hughes (PH)
	CMT Secretary (Minute Taker)	L Langley (CMTSec)
Apology	ICT Infrastructure Manager	W Murphy (WM)
	ICT Support Manager	D Dawe (DD)
	Head of ICT (CFRS)	J Fagg (JF)
	CMT Secretary (Minute Taker)	D Johnson (CMTSec)

	ACTION
MW welcomed AH to the meeting.	
<u>021901 Minutes from the Previous Meeting Held on 30th October 2018</u>	
The Minutes were agreed in principal as an accurate record. MD to check accuracy of the 2.5% response rate figure on page 1	MD
<u>021902 Action Points from the Previous Meeting Held on 30th October 2018</u>	
The action log was reviewed and updated.	
<u>021903 ICT Shared Service Update</u>	
Staff MD noted that following the external advertisement for a Server Engineer no applications were received. An application has now been received from an agency. MD noted that a difference in salary appears to be an issue with this position. PH stated that he would look at what the new salary would look like following the recent FRA decision to realign pay scales. MD noted that the current Database Administrator has given 3 months' notice to leave. It was agreed that MD is to look into the possibility of increasing the current salary for this position.	PH

ICT Network Engineer – On Sick leave. MD
ICT Project Manager – On Sick leave. MD noted that he will look into the current project work to see if there are any areas where workloads can be eased. MD

Performance Reports
MD noted that there has been no drop in the Service's performance since the recent restructure.
MD noted that he has been working with the Service Teams to give more support and improve performance in all areas.
MD noted that the 98% target has been achieved in BFRS this month for the first time ever. However, the board recognises that this target needs reviewing. MD is to review this target and feedback to the board.
MD noted that he is currently looking at how we can better report our KPI's in the future.
MD noted that we are the process of procuring a new Service Desk. The details of which are currently with CFRS Procurement. MD
MD noted that the new infrastructure is now in place and working well. MD noted that he is currently looking at a number of options to increase memory capacity to ensure that should a failover occur then we would still have enough capacity to maintain all systems.
MD noted that the ICT Shared Service Monthly KPI reports are beginning to highlight the difference between resources as being more of a 50/50 split over the last few months, which is encouraging as this is how it was envisage it should be.

Issues for escalation
There were no reported issues for escalation.

Office 365
A discussion was held regards 365 and CFRS's move away from DMS. PH noted that he would be in a position to put forward a proposal next week at the ICT Shared Service Monthly Governance Meeting. MW noted that the ICT Shared Governance Board meeting will need to be made aware of both the investment and the implication for shared service resource effort.

Xen Desktop
MD noted that BFRS are currently on Roll Out with a view to completion being end March 2019 when all BFRS's personnel will be on a Xen Desktop.

021904 Content for quarterly Comms bulletin

MD noted the following topics will form part of the quarterly Comms bulletin:-

- Xen Desktop Update
- Structure Update
- TLS Secure Email Update
- Secure Email Management
- BFRS email address update from .com to .gov.uk

021905 TOR and Frequency of Meetings

MD noted that the TOR have been reviewed and agreed as part of the 5 year Shared Services Agreement, no changes are required at present.

021906 Date of Next Meeting – Thursday 4th April 2019 - Camborne

The board agreed that all meetings held after 4th April 2019 will be on a quarterly basis. The board also agreed that on some occasions a half hour pre-meet will be required for software demonstrations.

ACTION POINTS OF THE ICT SHARED SERVICE GOVERNANCE BOARD MEETING AT 02 FEBRUARY 2019

Minute number	Details	Action
091808	MD noted that DD is currently reviewing performance and is looking at Shared Service development, reviewing targets and what is included. It was discussed that ZE, MW, JF will meet to discuss this. **30/10/18** – It was agreed that MD would take ownership of this action. MD noted that the new ICT Strategy/Roadmap (currently in draft) will hopefully be complete by the end of the financial year. MD to review the Terms of Reference for the next board meeting. **08/02/19** – MD to report back on this at the April board meeting in	MD
101807	<u>Performance Reports</u> MW noted that it would be useful for the three most important statistics to be pulled and brought to the Board for review. MD to review current performance indicators; confirm which indicators will be monitored going forward and to highlight key points in current performance reports and to bring these to the next Board meeting. **08/02/19** – MD to discuss at today's meeting under Agenda Item 3.	MD
021903	ICT Share Service Update – Server Engineer PH stated that he would look at what the new salary would look like following the recent FRA decision to realign pay scales.	PH
021903	ICT Share Service Update – Database Administrator It was agreed that MD is to look into the possibility of increasing the current salary for this position.	MD
021903	ICT Share Service Update – Project Manager Workloads MD noted that he will look into the current project work to see if there are any areas where workloads can be eased.	MD
021903	ICT Share Service Update – Performance Reports MD is to review this target and feedback to the board.	MD
101801	It was agreed that minute's part one and two would be combined into one minutes/actions document moving forwards. **08/02/19** – October 2018 minutes in new format. Action complete.	Complete

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MINUTES OF CORPORATE SERVICES POLICY AND CHALLENGE GROUP MEETING HELD ON 27 NOVEMBER 2018

Present: Councillors F Chapman (Chair), M Headley and D McVicar

CFO P Fuller, ACO Z Evans, Mr J Atkinson, Mr G Chambers and Mr P Hughes

18-19/CS/30 Apologies

30.1 An apology for absence was received from Councillor P Downing.

18-19/CS/31 Declarations of Disclosable Pecuniary and Other Interests

31.1 There were no declarations of interests.

18-19/CS/32 Communications

32.1 The Policy and Challenge Group received the Minutes of the meetings of the ICT Shared Service Governance Board held on 11 September and 30 October 2018 for information. It was noted that the customer satisfaction results had been updated as there had been a miscalculation. The new results were being presented to the Group later in the meeting.

32.2 Mr P Hughes, the Service's newly appointed Head of ICT and Improvement, introduced himself and detailed his previous experience, having worked 30 years in ICT. Part of his new role was to drive forward the Council's digital transformation programme, which would enable the Service to deliver its services more effectively and efficiently.

RESOLVED:
That the Minutes of the meetings of the ICT Shared Service Governance Board held on 11 September and 30 October 2018 be received.

18-19/CS/33 Minutes

33.1 It was noted that the meeting had been inquorate for the last few items.

RESOLVED:
That the Minutes of the meeting held on 13 September 2018 be confirmed and signed as a true record.

18-19/CS/34 Corporate Services Performance Monitoring Report - Q2

34.1 ACO Evans submitted the 2018/19 second quarter report on the Corporate Services performance against Corporate Services performance indicators and associated targets. All indicators were reporting as Green.

RESOLVED:
That the progress made and matters arising from the Corporate Services Performance be acknowledged.

18-19/CS/35 Corporate Services Programmes to date - Q2

35.1 ACO Evans introduced a report for 2018/19 Quarter Two, detailing progress against and the status of the Corporate Services Programme and Projects to date.

35.2 ACO Evans reported that the Fleet Asset Management System Project was reported to both this Group and to the Service Delivery Policy and Challenge Group and that the Sharepoint Project was now underway.

35.3 ACO Evans then provided updates on the exceptions. The Prevention Replacement MIS was rated Amber as a result of capacity issues. These had now been resolved by the appointment of a new developer.

35.4 The Protection Replacement MIS was rated Amber as there had been previous over-runs and the Unified Communications Project was also Amber due to challenges with the infrastructure build.

35.5 The Virtual Desktop Infrastructure (VDI) Upgrade Project was reporting as Amber as there had been delays engaging with the supplier and scheduling issues.

35.6 ACO Evans advised that projects affected by historical over-runs were being re-baselined and would be reporting against their new timescales at the next meeting. All the above exceptions were being re-baselined to Green.

35.7 In response to a question, ACO Evans explained that the Prevention Replacement MIS would be used to monitor and log Safe and Well visits and record any action that was required as a result of the visits. This had been developed in-house.

35.8 The Protection Replacement MIS was an “off the shelf” solution that had been purchased by the Service.

35.9 Mr P Hughes, the Head of ICT and Improvement, advised that work was underway to ensure that the new systems were fully integrated.

35.10 It was recognised that the years of investment in the ICT were now starting to have a significant positive impact.

RESOLVED:
That the progress made to date on Corporate Services Programme and Projects be acknowledged.

18-19/CS/36 Audit and Governance Action Plan Monitoring Report

36.1 ACO Evans introduced her report on progress made to date against current action plans arising from internal and external audit reports and the Fire Authority’s 2018/19 Annual Governance Statement.

36.2 Two actions were currently in progress, with the remainder having been completed.

RESOLVED:
That the issues raised in the report and the progress made to date against the action plans be acknowledged and the recommendation to extend the completion date be approved.

18-19/CS/37 Revenue Budget and Capital Programme Monitoring 2018/19

37.1 Mr G Chambers, The Head of Finance and Treasurer introduced his report which set out the forecast year end budget monitoring position as at 31 October 2018 and sought agreement to the recommendations contained within.

37.2 There was currently no forecast underspend or overspend in relation to non-salary budgets.

A £464,500 underspend in relation to the salary budget was forecast as a result of:

(i) the 2% pay award that had recently been agreed (against an assumed 4% in the budget); and
(ii) a zero-based budgeting exercise had been undertaken in relation to employer pension costs for employees transitioning between pension schemes. There was also a £150,000 underspend against the retained salary budget due to vacancies.

37.3 There had been no changes to the Capital Programme.

37.4 The Head of Finance and Treasurer reported that the Procurement savings included in the savings and efficiencies plan had been deferred from 2018/19 was expected to achieve £100,000 in 2019/20.

37.5 It was noted that £350,000 of savings had been identified through the zero-based budgeting exercise

RESOLVED:
That the forecast outturns for revenue and capital be acknowledged.

18-19/CS/38 Treasury Management Mid Year Report to 30 September 2018

38.1 The Head of Finance and Treasurer submitted the Treasury Management Mid-Year report. In doing so, he advised that the prudential indicators had been updated in accordance with the revised Code and that the indicator that was the subject of a query for further information by Members was now no longer used and had been removed.

38.2 There had been no changes to capital expenditure since the Capital Programme was agreed by the Authority and no changes to the financing of the projects in the Programme. There had also been no changes to the capital financing requirement.

38.3 The total long term debt was £9.987 million. There were just under 40 years left on the Public Works Loan Board loans. The financial penalty for repayment of these loans was high.

38.4 The Head of Finance and Treasurer referred to the borrowing and investment strategy set out in the report and reported on the recent investments that had been made.

38.5 The current level of investment was £11.75 million. Link Asset Services had been appointed as the Authority's treasury management advisors and the Authority was the best performing in terms of investment rates achieved, out of the nine Fire and Rescue Services that Link Asset Services support.

38.6 Members were reminded that treasury management training would be provided in summer 2019.

38.7 In response to a question about whether the Authority's treasury management advisors had provided Brexit advice, particularly in the event of a "no deal", the Head of Finance and Treasurer advised that he had not yet seen this himself but that he would check to see whether it had been received.

38.8 The Head of Finance and Treasurer advised that property fund investments would be considered in future.

RESOLVED:
That the report be received and that it be noted that Members have requested the Head of Finance and Treasurer to confirm whether treasury management Brexit advice has been received from Link Asset Services.

18-19/CS/39 Update on Annual Review of the Operation of the ICT Shared Service Agreement

39.1 Mr P Hughes, the Head of ICT and Improvement, provided an update to section 5.3 Customer Satisfaction Survey Results of the Annual Review of the Operation of the ICT Shared Service Agreement report received by the Group at its meeting last meeting (Minute18-19/CS/027 refers). These had been incorrectly reported at the Group's last meeting as there had been errors in the matrix.

39.2 The updated data confirmed that customer satisfaction continued to improve year on year.

39.3 It was recognised that the quality control measures in place had failed and this was being addressed.

39.4 The Head of ICT and Improvement advised that an automated dashboard was being created which would provide additional quality control. This would be rolled out across all performance indicators, with operational measures having priority.

RESOLVED:
That the update be received and the revised figures and the process in place to ensure that mis-reporting of this information did not occur again be noted.

18-19/CS/40 Corporate Risk Register

40.1 ACO Evans introduced the report on the review of the Corporate Risk Register. There were no changes to the corporate risk register individual risk ratings but eight updates to the individual risks in the corporate risk register.

40.2 In relation to CRR04 (if there are a large number of staff absent from the workplace then our ability to deliver services to our communities is severely compromised and our reputation will be adversely affected), ACO Evans reported that the Fire Brigades Union had recently submitted a 17% pay settlement proposal and the threat of industrial action remained.

40.3 In relation to CRR43 (if the Service suffers a terrorist attack then there is the potential for elements of the Critical National Infrastructure (CNI) to be compromised, our ability to respond to emergency incidents could be significantly affected, we would be unable to fulfil our duties under the Civil Contingencies Act and our reputation could be adversely affected), awareness training was being provided and the Service continued to take part in multi-agency exercises.

40.4 ACO Evans confirmed that CRR45 (exchanges of information, attacks and or hacking, email, web browsing, removable media, exposes the Service to malicious code and content (Virus/malware). There is a risk this could seriously damage the confidentiality, integrity and availability of our Service's information and ICT resulting in disruption to the delivery of our Services, loss of sensitive information, resulting in material financial loss and legal or regulatory sanctions) continued to be an area of focus for the Service.

40.5 In relation to CRR48 (there is a risk that the Service may be subjected to a fine from the ICO due to not implementing GDPR resulting in poor data security and process), it was noted that the Police were providing support to the Service and an action plan had been created and was in the process of being implemented.

40.6 In response to a question about contingency arrangements, the Group was advised that, in addition to the formal arrangements currently in place with Essex Fire and Rescue Service, the Service also had an on-site generator and a paper-based telephone system to fall back on in the event of a power failure.

40.7 The Head of ICT and Improvement advised that the Service was seeking cyber essentials accreditation. This was a Government backed scheme and the Service had already achieved 95% compliance. It was anticipated that the accreditation would be achieved by Quarter 1 of 2019/20. There was a raft of security measures in place to prevent against cyber security attacks.

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

18-19/CS/41 Review of Work Programme 2018/19

41.1 Members received the Work Programme for 2018/19.

41.2 An update on Brexit preparations was requested for the Group's next meeting.

RESOLVED:
That the Work Programme be received.

The meeting ended at 10.49 am

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
27 February 2019
Item No. 5

REPORT AUTHOR: **T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES**

SUBJECT: **PERFORMANCE REPORT, QUARTER THREE 2018-19**
(F/Y April 2018 to March 2019)

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

Background Papers: Previous Corporate Services Quarterly Performance Summary Reports

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Implications (tick ✓):

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

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

PURPOSE:

To provide the Corporate Services Policy and Challenge Group with with a report for 2018/19 Quarter Three, detailing:

1. A summary report of performance against Corporate Services indicators and associated targets for Quarter Three 2018/19 (April 2018 - December 2018).

RECOMMENDATION:

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

1. Performance

1.1 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.

1.2 This report presents Members with the Quarter Three performance summary 2018/19 covering the period April 2018 to December 2018. Performance is shown in Appendix A. The indicators and targets included within the report are those established as part of the Authority's 2018/19 planning cycle.

1.3 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%

2. Performance Summary and Exception Reports Q3 – 2018/19

2.1 All performance indicators are on target except for:

None to report

GAVIN CHAMBERS
T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES

APPENDIX A

SUMMARY OF CORPORATE SERVICES PERFORMANCE 2018/19 QUARTER THREE

Information and Communications Technology									
Measure				2018-19 Quarter 3					
No.	**Description**	**Aim**	**Full Year Target**	**Five Year Average**	**Q3 2017-18**	**Q3 Actual**	**Q3 Target**	**Performance against Target**	**Comments**
IM1	**The Number of Incidents on Mission Critical services resolved within 1 Hour**	Higher is Better	80%	97%	100%	100%	80%	Green	25% better than target
IM2	**The Number of Incidents on Business Critical services resolved within 2 Hours**	Higher is Better	96%	97%	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%	97%	97%	97%	90%	Green	8% better than target
IM4	**The Number of Incidents on Administration Services resolved within 8 Hour**	Higher is Better	90%	91%	93%	97%	90%	Green	8% better than target
AV1	**Core ICT services availability**	Higher is Better	97%	99%	100%	100%	97%	Green	3% better than target
AV2	**Business Applications Availability**	Higher is Better	97%	100%	100%	100%	97%	Green	3% better than target

Notes:

1. ***The comments column on the right hand side shows a comparison of actual against target as a percentage, it should be noted that all targets are represented as 100% and the actual is a percentage of that target.***

APPENDIX A

SUMMARY OF WORKSHOPS FLEET PERFORMANCE 2018/19 QUARTER THREE

Fleet & Workshops									
Measure				2018-19 Quarter 3					
No.	Description	Aim	Full Year Target	Five Year Average	Q3 2017-18	Q3 Actual	Q3 Target	Performance against Target	Comments
WS1a	Grade A Defect Response Time (within 1 hour)	Higher is Better	90%	92.91%	87.45%	90.64%	90%	Green	1% better than target
WS1b	Grade A Defect Response Time (within 2 hours)	Higher is Better	95%	98.19%	95.34%	100.00 %	95%	Green	5% 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%	2.46%	2.55%	2.64%	5%	Green	47% better than target
WS2b	The percentage of time when Aerial Ladder Platforms & SRU were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Lower is Better	5%	2.97%	2.91%	2.98%	5%	Green	40% better than target
WS2c	The percentage of time when other operational appliances were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Lower is Better	3%	0.47%	0.33%	0.55%	3%	Green	82% better than target
WS4	The number of hours as a percentage the appliance is unavailable for operational response in the reporting period, other than for the time measured under the turn-a-round time. (Idle time)	Lower is Better	2%	0.82%	0.81%	1.25%	2%	Green	37% 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%	97.56%	97.62%	97.26%	93%	Green	5% better than target
WS6	Annual Services undertaken	Higher is Better	97%	100 %	100%	100%	97%	Green	3% better than target

SUMMARY OF CORPORATE SERVICES PERFORMANCE 2018/19 QUARTER THREE

Finance									
Measure				2018-19 Quarter 3					
No.	Description	Aim	Full Year Target	Five Year Average	Q3 2017-18	Q3 Actual	Q3 Target	Performance against Target	Comments
FNP3	% of Routine Financial Reports Distributed Within 6 Working Days of Period end closure	Higher is Better	90%	100%	100%	100%	90%	Green	11% better than target
FNP5	Percentage of Uncontested Invoices Paid Within 30 days	Higher is Better	96%	95.51%	94.57%	96.07%	96%	Green	Met Target
FNP6	Percentage of Outstanding Debt Over 90 Days Old	Lower is Better	2.5%	2.90%	6.94%	0.16%	2.5%	Green	93% better than target

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
27 February 2019
Item No. 6

REPORT AUTHOR: **T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES**

SUBJECT: **CORPORATE SERVICES PROGRAMMES & PROJECTS REPORT, QUARTER THREE 2018-19 (F/Y April 2018 to March 2019)**

For further information on this Report contact: Prue Wullems
Service Improvement Manager
Tel No: 01234 854018

Background Papers: Previous Corporate Services Quarterly Performance Summary Reports

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Implications (tick ✓):

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

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

PURPOSE:
To provide the Corporate Services Policy and Challenge Group with with a report for 2018/19 Quarter Three, detailing progress and status of the Corporate Services Programme and Projects to date.

RECOMMENDATION:
Members acknowledge the progress made on Corporate Services Programme and Projects and consider any issues arising.

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1. Programmes and Projects 2018/19

1.1 Projects contained in this report have been reviewed and endorsed in February 2018 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:

- **The KPI Data Hub Project** has been added to the Corporate Services portfolio in the last period;
- 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, apart from Virtual Desktop Infrastructure upgrade project which is subject to interdependency with the Server Refresh project, and Unified Communications, which has a dependency on the above;
- All projects 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 2018/19 to 2021/22 has been taken within the proposed 2018/19 Budget and Medium-Term Financial Plan, as presented to the Authority for agreement in February 2018.

1.4 Other points of note and changes for the year include the following:

- The **HR & Payroll Project Phase 2** is complete and the project is proposed closed. This is also reported in the Human Resources Policy and Challenge Group Report.

1.5 The Corporate Management Team monitors progress of the Strategic Projects monthly. The Strategic Programme Board now review the Programme quarterly with the next Programme Board review scheduled on 24 May 2019.

1.6 Appendix A gives a summary of status to date on the projects in the BFRS Business Systems Improvement Programme, Appendix B on the Business Process Improvement Programme, and Appendix C on Strategic Projects not included in a Programme. 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. Requires Programme Board intervention

2. Programme and Projects - Summary and Exception Reports Q3 – 2018/19

2.1 There are no projects on status Red. There are currently six projects within Corporate Services with an Amber status. These are as follows:

1.1.1. Business Systems Improvement Programme:

- The **Prevention Replacement MIS (Safe & Well)** The project status remains at Amber, as there is as yet, no agreed plan of work or success criteria for the current phase. Proposals are under evaluation, and it is hoped the project can soon return to status Green.

- The **Protection Replacement MIS** remains on Amber due to previous time over-runs. This project is now on-track to be delivered in April, and the timeline for this project is to be re-baselined by the Programme Board to bring it back to Green.

- The **Unified Communications Project** remains on Amber due to challenges experienced in the infrastructure build. Once this is completed and thoroughly tested, the project will be re-baselined back to Green.

1.1.2. Business Process Improvement Programme:

- The **Training Centre Administration Project** is Amber due to concerns over integration issues between PDR and iTrent/MHR, which have caused ongoing delays and deferred progression to the Procurement stage. Reassurances have now been given that E-Fire Service can integrate their systems with either a cloud based system or a hosted system (as with MHR), and more detailed technical evaluation is underway.

1.1.3. Other Strategic Projects:

- The **Emergency Services Mobile Communications Programme (ESMCP) r**emains on Amber as a timeline for delivery regionally is still under discussion, and it is still unclear how the programme and associated projects reporting is to be handled by the Home Office.

- The **Replacement MDT Aggregation Project** is Amber due to slippage in the original proposed timelines caused by the high level of market interest at RFI stage, and the complexities of gaining consortium approval to the technical specifications for a generic MDT suited to all FRSs.

GAVIN CHAMBERS,
T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES

CORPORATE SERVICES PROGRAMME REPORT

Business Systems Improvement Programme
Aim: Optimise the use of existing business systems and replace where appropriate.

APPENDIX A

Project Description	Performance Status	Comments
Fleet Asset Management System	**Green**	**30 January 2019: Fleet Asset Management System** **Aim:** To implement a cloud-based Fleet Asset tracking system to manage fleet assets from purchase to end of life, including purchase, management of inventory, locational tracking, inspection, test, servicing, maintenance and disposal. The Fleet Asset Management Project is currently Green status though it has slipped slightly behind schedule due to additional technical due diligence requirements. This was to confirm that the correct middleware is part of the additional cross over package which allows the new cloud based system to integrate with the server based programs such as Great Plains and Requisition Manager. On 08/02/2019 it was concluded there were no technical issues to prevent procurement, therefore, procurement can now proceed.

Project Description	Performance Status	Comments
KPI Data Hub (new project)	Green	**05 February 2019: KPI Data Hub (new project)** **Aim:** To deliver a digital corporate performance reporting tool for BFRS for reporting year 2019-20,, taking in data from various corporate systems into a single hub. The project status is Green. This is a new project the first phase of which covers operational data across BFRS Prevention, Protection and Response functions, and will allow for comparisons against previous performance, and against set targets. It is planned to deliver this work in partnership with the University of Bedfordshire. Data should be captured from the start of April 2019 onwards, with reporting available from the end of the first quarter of 2019-20 onwards. This project will automate many manual processes and will address data quality and consistency, duplicate processes and give transparency and confidence in making business decisions. The project team is aiming to deliver in full to the planned timescales. Meetings are taking place at both a strategic level to define requirements and oversee the project, and at technical level to confirm how this work will be delivered. However the timescales for this project are extremely tight and there are issues around the complexity and volume of the requirements. Project Board meetings are now in the diary and requirements are at draft status, albeit with more precise definitions of performance measures required. Infrastructure needs (virtual servers) have been identified and are in the process of being set up to enable work on the data hub to begin. Once the first phase has been delivered, this project can then be expanded into further phases involving wider organisational data, click-through reporting for greater detail, and potentially benchmarking of BFRS performance against other fire and rescue services.

Project Description	Performance Status	Comments
Fire Safety Protection - Replacement Management Information System (MIS)	Amber	**05 February 2019: Protection Replacement Management Information System Project** **Aim:** To migrate from Sophtlogic MIS to Infographics (FloSuite Prevent and Protect) The status of the project remains at Amber (unchanged from previous report). The project continues to make steady progress with anticipated implementation of April 2019. Structured User Acceptance Testing (UAT) continues which is being used as an opportunity to create detailed user manuals. As the needs of the implementation process has become clearer the small dedicated team have switched to full time on the project to ensure the 1st April deadline is met. Wider staff training has commenced. Project progress remains reliant on the Business Information Team (BIT) who provide essential technical support and BIT now has protected resource time for the project (Wednesdays and Fridays). Infographics continue to offer support, where issues or required enhancements are needed these are dealt with ensuring the system continues to meet the needs of the Service. The team continue to liaise with Lincolnshire FRS who have purchased the same product and are making similar progress.

Project Description	Performance Status	Comments
Prevention Replacement Management Information System (MIS):Safe & Well	Amber	**5th February 2019: Prevention Replacement Management Information System: Safe and Well** **Aim:** To develop an in-house Product Database for managing Safe & Well visits. The project status remains at Amber, as the plan of work and success criteria for the current phase has yet to be agreed. High-level requirements for future phases have been proposed but need agreeing, including measures for data management improvements. Progress is being made to address all these issues and if this continues then the project can return to Green status by the next update. The Business Applications Manager (BAM) is now in post alongside the new developer working on the in-house solution. An actions list for the current maintenance phase has been proposed and is being worked through, data quality quick wins have been added, reporting on both successful visits and data quality issues has been produced and is being tested, and discussions over requirements for more substantial enhancements are in progress. The feasibility of importing data from the previous Safe and Well database is also being investigated in detail, to allow a single accurate view of all visits carried out. A number of additional meetings are taking place outside the formal Safe & Well Database Development group to ensure that progress is accelerated and priorities agreed. The next quarter should see the completion of the maintenance phase, an agreed roadmap for future enhancements agreed and in progress, the rollout of accurate reporting enabling station-based staff to move away from keeping localised records of activity, and the successful migration of data from the previous database.

Project Description	Performance Status	Comments
SharePoint Upgrade	Green	**30 January 2019: SharePoint Upgrade Project** **Aim:** To replace the current SharePoint site with a stable and fully supported platform, and to put in place a governance framework for managing SharePoint content, and maximising the benefits of collaborative working The Project status is Green. The Discovery stage has begun, gathering information to inform the development of the Project Initiation Document (PID), which will be submitted to the Programme Board in due course. To date, two workshops have been held with Bytes, BFRS's Microsoft Gold Support Partner, to explore the Microsoft Office 365 portfolio (which contains SharePoint) and all the integrated Microsoft tools and applications that are available to support BFRS business requirements. These have been followed by Bytes facilitated meetings with three potential suppliers, any of whom may be invited to join a restricted tender process shortly, following a team evaluation of the workshop outcomes, and final decisions re the strategy going forward. All three suppliers agreed that a "big bang" approach would not be wise, and that BFRS should aim for a phased introduction of new tools, and potentially a Pilot. Content migration is a key area, and will require additional resources to be brought in to assist with creation of data taxonomy and bulk migration of data. Additional meetings with more suppliers are being arranged due to the complexity and strategic significance of getting this project right. An "on-premise" solution is no longer under consideration as the benefits of using SharePoint Online far outweigh the advantages of an on-premise system due to the extensive Microsoft support available. Further interdependencies and caveats have been noted, regarding use of Internet Explorer and Active Directory, in addition to the sequencing issues already noted with Windows 10 upgrade. A delivery schedule of core Intranet platform and document management system (DMS) in place by end of October appears to be feasible, but is subject to procurement timelines and resource availability for content cleansing and migration.

Project Description	Performance Status	Comments
	Green	**30 January 2019: SharePoint Upgrade Project, cont….** All suppliers agree that resourcing the new SharePoint is an ongoing task and requires a dedicated resource during the project, to gain the full benefits of all the available tools and collaborative working potential. Licencing is to be explored in more depth, as the different levels of Microsoft Office 365 licence gives different levels of permissions and access to business tools, generally restricted to the lowest common denominator. Next steps are to consider meeting with additional suppliers to the 3 already met with, due to the complexity and strategic significance of getting this project right; prepare the detailed Technical specifications and Tender documents; and to go out to restricted tender. It is expected that this will be in Q4 2018/19.
Unified Communications	Amber	**23 January 2019: Unified Communications** **Aim:** To deliver a modern communications platform using Skype For Business (SfB). Replacing telephone systems, establishing a suite of collaboration tools, facilitating working practise development and changes. The project status remains at Amber until successful completion of this project stage (infrastructure build). The supplier has been working to complete the infrastructure build for Cambs and to resolve issues in Beds. It is believed that most of the issues have now been resolved and thorough testing will be carried out in February to verify this. Subsequent to internal tests, it is expected that the supplier will carry out their own health check on the system prior to accepting the system into support.

Project Description	Performance Status	Comments
Virtual Desktop Infrastructure (VDI) Upgrade Project	Green	**31 January 2019: Virtual Desktop Infrastructure (VDI) Upgrade Project** **Aim:** To upgrade the current VDI-in-a-box to a newer Citrix VDI product. To address configuration issues with the current setup and to move all service staff onto a common platform. The current RAG status is Green following re-baselining at the last Project Board. The project is running to schedule. The new XenDesktop backend infrastructure is now fully built and configured. First round testing of the new Bedfordshire corporate image is complete and a second round of final user testing is underway. It is expected that rollout of XenDesktop to Bedfordshire will be complete in March and that VDI-in-a-box will be decommissioned in April. All Bedfordshire staff will have access to XenDesktop.

Business Process Improvement Programme
Aim: Optimise ways of working, re-engineering and automating where possible and providing integration between business systems.

APPENDIX B

Project Description	Performance Status	Comments
Cloud-based processes (Training Centre Administration)	Amber	**05 February 2019: Training Centre Administration Project** **Aim:** To deliver an efficient and effective solution for training administration, recording and reporting. The Project Status is Amber. Concerns over integration issues that may arise between PDR and iTrent/MHR have caused ongoing delays, and deferred progression to the Procurement stage for several months. The Software & Integration Services Engineer (SISE) has held discussions with E-Fire Service with regards the integration of iTrent/MHR to the Course Management System (CMS) that TDC are looking to procure, (as presented at CMT in 2018). Following high level discussion, E-Fire Service has provided some reassurance that they can integrate their systems with either a cloud based system or a hosted system (as with MHR). However, to ensure that sufficiently detailed interface requirements are documented prior to procurement, HICT has determined that further technical due diligence is undertaken to consider the data flows in more detail, and estimate some costings regarding application interfaces to iTrent and Gartan. The new Business Applications Manager will provide support to this exercise, which is expected to take approximately 8 weeks, subject to capacity. This will provide more granular information for the procurement stage in due course. SISE has produced an outline plan to begin the install of the system subject to procurement timelines, and this will be enhanced with further detail as investigations progress, to assist with clarifying the project planning phases, and resources required to deliver the project. Following this a Project Initiation Document (PID) can be completed and submitted for approval at the next Programme Board. Integration with the new version of Gartan will be the subject of a later stage of the project as that system is not yet implemented. Until that time the detailed interface requirements cannot be ascertained.

Other Strategic Corporate Services Projects not in a Programme

APPENDIX C

Project Description	Performance Status	Comments
HR/Payroll System and Services	**Phase 2** **Green**	**30 January 2019: HR & Payroll Project** **Aim:** Implement a new HR/Payroll Business system and associated payroll services to support and optimise HR and Payroll activities across the Service. Stage 2 of the project was approved for closure by the Project Board on 18 January 2019, and Project Closure and Benefits Handover reports will be submitted to the Programme Board at the end of February. **Time & Expenses (T&E)** Following a positively received pilot in November/December 2018, Phase 2 of the HR & Payroll Project – delivery of the Time & Expenses module - successfully went live on 03 January 2019. Scope reduction was applied so that Time only applied to support staff, due to the implementation of the Gartan Rota system, which will deal with Grey Book "Time". T&E was delivered on time and to budget. Two currently unresolved T&E issues should be addressed by MHR as part of the re-write of the T&E module, scheduled for around August 2019. PayPM's contract has now come to an end, and the T&E module has transferred to business as usual. Management of T&E risks now falls under the iTrent Risk Management Plan in BaU.

Project Description	Performance Status	Comments
	Phase 2 **Green**	**30 January 2019: HR & Payroll Project, cont….** **Web Recruitment:** Online recruitment for Green Book staff was successfully implemented to a high standard within budget with effect from July 2018. To date: • 15 vacancies have been advertised and successfully recruited. • 1 vacancy has been advertised with no appointment made. • 155 candidates have been processed through the system. The shortlisting functionality within iTrent v10.29 is currently not compatible with BFRS processes so a decision was made to wait until further upgrades are implemented before utilising this function. Work is being carried out in the Development platform to explore the suitability of the Recruitment module for On Call (RDS) recruitment with a view to going live on 01/04/2019. Further implementation will be required in the future for Wholetime Recruitment.

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
27 February 2019
Item No. 7

REPORT AUTHOR: **T/ASSISTANT CHIEF OFFICER - FINANCE AND CORPORATE SERVICES**

SUBJECT: **PROPOSED CORPORATE SERVICES INDICATORS AND TARGETS FOR 2019/20**

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

Background Papers: None

Implications (tick ✓):

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

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

PURPOSE:

To advise the Corporate Services Policy and Challenge Group of the proposed suite of Corporate Services performance indicators and associated targets for 2019/20 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 2019/20 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 2019.

1.2 This report advises the Corporate Services Policy and Challenge Group of the proposed measures and targets for 2019/20 which are contained in Appendix A.

1.3 The targets have been set taking account of Service plans, projects and budgetary allocations for 2019/20. 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 from 2015-2018. For 2019/20 we are increasing the target level for User Satisfaction to 80%.

2.2 **Property –** The property indicators will be available post financial year end, when a full year's utility usage data is available. The indicators for 2018/19 and performance against these will be reported to a meeting in early 2019/20, along with the proposed 2019/20 performance indicators.

GAVIN CHAMBERS
T/ASSISTANT CHIEF OFFICER - FINANCE AND CORPORATE SERVICES

FINANCE							
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2018/19**	**BFRS Target 2019/20**	**Target Setting Rationale**
FNP1	Budget requirement of Fire and Rescue Service (£ per 1,000 population) **Performance Indicator to be used for information only**	Annual Budget	Annually	2011/12 £46.02 2012/13 £46.60 2013/14 £45.83 2014/15 £44.55 2015/16 £44.30 2016/17 £43.69 2017/18 £43.39 2018/19 £44.45 2019/20 £44.89	N/A	N/A	The indicator is based on our budget requirement divided into projected 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	2015/16 Per 6 £261k 2015/16 Per 9 £76k 2016/17 Per 6 £192k 2016/17 Per 9 £192k 2017/18 Per 6 £396k 2017/18 Per 9 £14k 2018/19 Per 7 £465k 2018/19 Per 10 £546k	Less than £600,000	Less than £600,000	The Audit Commission use a 2% materiality limit when auditing the accounts, so this has been applied to our budget requirement, and identifies the target as £600,000. Target was met in previous year's outturn, compared to estimates at prior periods.
FNP3	Percentage of routine financial reports distributed within 6 working days of period-end closure	Value for Money Indicator P12	Quarterly	2012/13 91.67% 2013/14 100% 2014/15 100% 2015/16 100% 2016/17 100% 2017/18 100% 2018/19 tbc	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%.
FNP4	Compliance of annual statement of accounts processes with statutory timescales and quality criteria	CPA/CAA Use of Resources Assessment and CIPFA Benchmarking	Annually End September Post External Audit	2012/13 100% 2013/14 100% 2014/15 100% 2015/16 100% 2016/17 100% 2017/18 100% 2018/19 tbc	100%	100%	Aim to achieve continuing compliance with all statutory timescales and quality criteria.

FINANCE Cont.							
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2018/19**	**BFRS Target 2019/20**	**Target Setting Rationale**
FNP5	Percentage of uncontested invoices paid within 30 days	Best Value Performance Indicator 8	Quarterly	2011/12 93% 2012/13 94% 2013/14 96% 2014/15 96% 2015/16 96% 2016/17 96% 2017/18 95.17% 2018/19 tbc	96%	96%	Target decreased from 97% to 96% in 2017/18 as 97% is currently unlikely to be achieved
FNP6	Percentage of outstanding debt over 90 days old	Value for Money Indicator S18	Quarterly	2011/12 6.47% 2012/13 0.94% 2013/14 1.22% 2014/15 0.79% 2015/16 1.54% 2016/17 5.43% 2017/18 3.88% 2018/19 tbc	Less than 2.5%	Less than 2.5%	Less than 2.5% to remain as 2019/20 target.
FNP7	Percentage of annual planned efficiency savings achieved by year end	Local	Annually	2011/12 100% 2012/13 100% 2013/14 100% 2014/15 100% 2015/16 100% 2016/17 92% 2017/18 87% 2018/19 tbc	100%	100%	Aim to achieve total of budgeted efficiency target within 2019/20
FNP8	Return on investment	Actual interest rate achieved	Annually	2013/14 1.36% 2014/15 0.93% 2015/16 0.84% 2016/17 0.86% 2017/18 0.73% 2018/19 tbc	0.70%	1.00%	Increased to 1% in line with anticipated interest rate increases, although there is uncertainty due to Brexit and the strength of the GBP£.

INFORMATION AND COMMUNICATION TECHNOLOGY							
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2018/19**	**BFRS Target 2019/20**	**Target Setting Rationale**
ICT1	User Satisfaction		Annual .	2014 60.73% 2015 67.5% 2016 89%. 2017 92% 2018 90%	70%	80%	The Target has been increased to reflect the intended outcomes of the new ICT structure.
IM1	The Number of Incidents on Mission Critical services resolved within 1 Hour	Joint Catalogue of Services	Quarterly	2014/15 100% 2015/16 100% 2016/17 92% 2017/18 96%	80%	85%	Mission Critical services relate to Mobilising systems. Mission Critical systems take priority for ICT Resources. Target has been increased to reflect the intended outcomes of the new ICT structure.
IM2	The Number of Incidents on Business Critical services resolved within 2 Hours	Joint Catalogue of Services	Quarterly	2014/15 92% 2015/16 100% 2016/17 99% 2017/18 100%	96%	96%	Target based on Services SLA. Performance has exceeded target since 2014/15. The 2019/20 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.

INFORMATION AND COMMUNICATION TECHNOLOGY Cont.							
Ref	**Performance Indicator**	**Source of Performance Indicator**	**Frequency of Reporting**	**BFRS Baseline Performance**	**BFRS Target 2018/19**	**BFRS Target 2019/20**	**Target Setting Rationale**
IM3	The Number of Incidents on Business Operational services resolved within 4 Hours	Joint Catalogue of Services	Quarterly	2014/15 92% 2015/16 100% 2016/17 100% 2017/18 98%	90%	90%	Target based on Services SLA. Performance has exceeded target since 2014/15. The 2019/20 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.
IM4	The Number of Incidents on Administration Services resolved within 8 Hour	Joint Catalogue of Services	Quarterly	2014/15 88% 2015/16 94% 2016/17 93% 2017/18 93%	90%	90%	Target based on Services SLA. The highest proportion of incidents fall into this category. The anticipated draw on resources to support priority projects again throughout 2019/20 is expected to reflect in the performance outcome for these lower category incidents therefore recommended to maintain 90% target.
AV1	Core ICT services availability	Joint Catalogue of Services	Quarterly	2014/15 97% 2015/16 100% 2016/17 100% 2017/18 100%	97%	97%	Target meets the agreement for levels of Service from ICT Catalogue of Services Core ICT availability median 98%
AV2	Business Applications Availability	Joint Catalogue of Services	Quarterly	2014/15 97% 2015/16 100% 2016/17 100% 2017/18 100%	97%	97%	Target meets the agreement for levels of Service from ICT. Catalogue of Services Core ICT availability median 98%

FLEET & WORKSHOPS

Ref	Performance Indicator	Frequency of Reporting	BFRS Baseline Performance	BFRS Target 2018/19	BFRS Target 2019/20	Target Setting Rationale
WS1a	Grade A Defect Response Time (within 1 hour)	Quarterly	2014/15 93% 2015/16 91% 2016/17 95% 2017/18 89%	90%	90%	Workshops targets will remain in place (as is) until the implementation of an electronic fleet management system is completed and fully functional within the Service to replace the MIS, at this point the targets will be reviewed giving consideration to the data that the new system can provide, any national targets and our own requirements.
WS1b	Grade A Defect Response Time (within 2 hours)	Quarterly	2014/15 97% 2015/16 97% 2016/17 99% 2017/18 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% 2016/17 2.29% 2017/18 2.43%	5%	5%	
WS2b	The percentage of time when Aerial Appliances and SRU were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Quarterly	2014/15 3.70% 2015/16 3% 2016/17 3.06% 2017/18 2.91%	5%	5%	
WS2c	The percentage of time when other operational appliances were unavailable for operational use due to an annual service, defect or other works. (Turnaround Time)	Quarterly	2014/15 0.76% 2015/16 0.51% 2016/17 0.37% 2017/18 0.28%	3%	3%	
WS4	The number of hours as a percentage the appliance is unavailable for operational response in the reporting period, other than for the time measured under the turn-a-round time. (Idle time)	Quarterly	2014/15 0.36% 2015/16 1.05% 2016/17 0.86% 2017/18 0.86%	2%	2%	
WS5	The total time expressed as a % when ALL Appliances were available for operational use after the turn-a-round time and idle time are removed from the total time in the reporting period.	Quarterly	2014/15 98% 2015/16 98% 2016/17 98% 2017/18 97.67%	93%	93%	
WS6	Annual Services undertaken	Quarterly	2014/15 100% 2015/16 100% 2016/17 100% 2017/18 100%	97%	97%	

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
27 February 2019
Item No. 8

REPORT AUTHOR: **T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES**

SUBJECT: **NEW INTERNAL AUDIT REPORTS**

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

Background Papers: RSM Strategy for Internal Audit
Bedfordshire Fire Authority 2017/18 to 2019/20

Implications (tick ✓):

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

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

PURPOSE:

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

RECOMMENDATION:

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

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

- Key Financial Controls (completed on 23 November 2018; report finalised on 22 January 2019 (Appendix A). Conclusion: Green – Substantial Assurance.
- Risk Management (completed on 22 January 2019; report finalised February 2019 (Appendix A). Conclusion: Amber – Reasonable 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 2019 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.

GAVIN CHAMBERS
T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES

BEDFORDSHIRE FIRE & RESCUE AUTHORITY

Key Financial Controls

FINAL

Internal audit report: 3.18/19

22 January 2019

RSM

CONTENTS

Debrief held	23 November 2018	**Internal audit team**	Daniel Harris - Head of Internal Audit Louise Davies - Client Manager Satnam Parmar - Senior Auditor Jamil Khan - Internal Auditor
Draft report issued	21 December 2018		
Responses received	18 January 2019		
Final report issued	22 January 2019	**Client sponsor**	Gavin Chambers - Head of Finance
		Distribution	Gavin Chambers - Head of Finance Jeremy Harrison - Chief Accountant

1 EXECUTIVE SUMMARY

1.1 Background

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

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

The Authority outsource their payroll processing to Midlands HR and the organisation utilises the iTrent integrated HR and Payroll system.

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

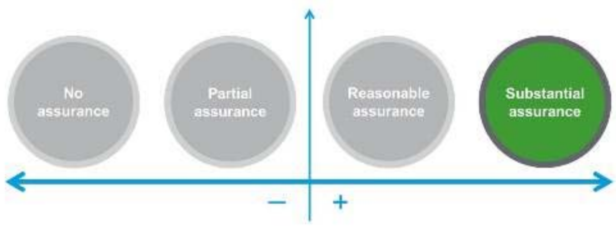
- General Ledger;
- Payments and Creditors (Accounts Payable);
- Income and Debtors (Accounts Receivable);
- Cash and Treasury Management;
- Assets
- Payroll

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

1.2 Conclusion

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

Internal audit opinion:
Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage the identified area(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

General Ledger

- An authorised signatory list is maintained by the authority, which specifies the financial limits at which invoices can be authorised, and the level of authorisation for employee related expenses. This is regularly reviewed to ensure its accuracy. We noted that the list had been last reviewed in November 2018.

- The organisation has a set of Financial Regulations, which are available to all stakeholders including the public and staff via the public facing website. Complementing the Financial Regulations is the Procurement Policy which outlines the tendering procedures and values for which quotes should be obtained prior to purchasing goods and services. We confirmed that the documents had been last updated in March 2017 and August 2017 respectively. We confirmed that through review of meeting minutes that the Financial Regulations were reviewed by the Audit and Standards Committee in March 2017.
- Journals are processed using a segregation of duties, between the requester, authorisation and inputting. We confirmed this process was appropriately followed for a sample of ten journals processed in year.
- For a sample of five active Great Plains users, we confirmed that the user was a current employee, and the class of access was consistent with the user job role. We also confirmed for the two leavers in 2018/19 with Great Plains access, that their account had been deactivated timely.
- To maintain an efficient process, the Finance Team use a month-end timetable, primarily as a guide to the tasks to be completed prior to closing the ledger. We confirmed through review of month end timetables for July, August and September 2018 that tasks were being shaded as completed throughout the month.
- Monthly, reconciliations are undertaken of the control accounts within Great Plains to ensure the integrity of information held. Reconciliations are signed off by the Chief Accountant, supported by backing documentation and signed off in a timely manner. The process was confirmed through testing a sample of three control accounts over July, August and September 2018.
- Back-ups are conducted daily to servers hosted by Cambridgeshire Fire and Rescue Service. Review of back up logs confirmed that backups were being produced on a daily, weekly and monthly basis. We confirmed this through monthly backups for May, June, July 2018, the 9 November weekly back up and daily backups from 10 – 15 November.
- Finance reports are presented to the Corporate Management Team (CMT) meetings monthly and Corporate Services Policy and Challenge Group quarterly. We confirmed this through our review of the CMT meeting minutes for May, July and October and the Corporate Services Policy and Challenge Group meeting minutes for September and November 2018, where it was noted that the Head of Finance presented the Revenue Budget and Capital Programme reports, which were then discussed by those present in both meetings.

Payments and Creditors

- A robust process is in place for the addition of new suppliers. We tested a sample of 10 new suppliers confirming that forms were completed and evidenced to demonstrate checks undertaken to confirm the new supplier prior to being set up. We also confirmed for a sample of 10 supplier amendments that supporting documentation and evidence of checks undertaken was retained. We confirmed that the amendment form specifically stated that 'Telephone numbers or e-mail addresses depicted upon the supplier's letter/email/notification must not be used' and that existing information must be used, with the requirement to document the telephone number used, the source of The organisation was following the quotation rules in place below the tender level of £50,000, this was confirmed through sample testing of five invoices paid.
- The organisation was following the quotation rules in place below the tender level of £50,000, this was confirmed through sample testing of five invoices paid.
- An effective process is in place for ordering, authorisation of orders, receipting and payment for goods. We confirmed through a review of 10 orders that this process was followed appropriately.
- Payment runs are conducted once a week, being signed off by the Chief Accountant / Head of Finance prior to payment being made. We confirmed this through review of payment runs for 13 June, 26 June, 18 July, 25 July and 22 August.

- The organisation reports quarterly on finance key performance indicators to the Corporate Services Policy and Challenge Group. Performance against the percentage of uncontested invoices paid on time is reported. A target has been set for 96% of invoices to be paid within 30 days. We confirmed for Q1 and Q2 that the 96% target was met in our review of the reports and corresponding minutes for September and November 2018. It was noted in the meetings that all key performance indicators were rated green (met or surpassed target).

Income and debtors

- For a sample of ten sales invoices for the current financial year, we confirmed that invoices had the appropriate backing documentation and had been raised within a timely period of request.
- For a sample of five aged debts (120 days+), we confirmed they were was evidence of consistent debt chasing within the credit control spreadsheet. We noted that each of the five had been escalated for legal action. For the current financial year, no debts have been written off.

Cash and Treasury Management

- Cash flow forecasts are prepared daily, using data received from income and payment accounts. Bank statements are used to input this information. We confirmed for ten values from the cash flow forecast that they could be traced to the organisation’s bank accounts. The cash flow forecast is reconciled to the organisations bank accounts on a daily basis. These are reconciled by the Finance Officer, checked and agreed by another member of the Finance Office and approved by the Chief Accountant.
- Our testing of three out of the seven investments entered into within the current financial year found that robust controls exist to ensure authorisation of investments is in line with policy. Each of the investments had investment forms documenting the reasons for the investment approved by the Head of Finance, and we confirmed that the investments were made through approved lenders.
- We confirmed that the Authority has not taken any loans since 2012 and the loans in place are with the Public Loans Work Board. We understand there are no covenants associated with these loans.

Assets

- There is an ‘Assets Working Papers’ spreadsheet which provides a summary of the Authority’s non-current assets like property and plant and equipment. This includes their Net Book Value and is updated on an annual basis. We confirmed that the spreadsheet was up to date for the current financial year.
- Access to the asset register is password protected and limited to the Chief Accountant, the Head of Finance and the two Principal Finance Officers. As there have been no changes since this was last reviewed by External Audit, we have not tested further in this area.
- The service uses straight line depreciation for assets, and on an annual basis, reconciles the ledger to the asset register. Our testing of a sample of five assets confirmed that the depreciation recorded within the Assets Working Papers was calculated correctly.
- Disposals are undertaken following discussion at the Service Development Asset Group. We confirmed this process was followed for the two disposals undertaken this financial year.

- The asset verification process is decentralised to workshops and technical teams and assurance is provided based on sample testing by external audit. The assets which would need to be verified via this process are spread across a number of sites and areas. The majority of assets are critical to the day to day running of a station / department and if they were missing it would soon come to light. The assets in question go through a verification process each year end via external audit and therefore it is the Chief Accountant's view that because of these two reasons it is not necessary to carry out further check.

Payroll

- Where a user requires access to iTrent system, the 'Request for access to Human Resources System' form is completed and signed by the employee's line manager. We confirmed for the one new payroll user for the current financial year that the supporting form was held and had been authorised appropriately.
- For new starters to the authority, vetting is carried out and new starters' forms containing payment information will be completed by the employee and HR and input into iTrent. Authorisation is received at the recruitment stage via the 'authorisation to recruit' form. Once HR have input the HR details from the starter form into iTrent, the system will send a workflow notification to Payroll, who will enter bank details to ensure a segregation of duties. The starter will be input into the payroll system in line with Payroll deadlines. We confirmed compliance with this process for ten new starters for the current financial year.
- For leavers, a termination form is completed by the line manager and processed in line with the payroll timetable to ensure no overpayments are made. We confirmed for a sample of ten leavers for the current financial year that the leavers form had been completed, the user was no longer active on the system, and no overpayments had been made, indicating timely processing of the form.
- For amendments to payroll data, the line manager will complete an amendment form. This is checked by the HR Manager, input by the HR Administrator and then a final check is completed by the HR officer. We confirmed compliance with this process for ten amendments made within the current financial year.
- On an annual basis, pay awards are input into iTrent, to reflect changes and agreed global uplifts. We confirmed for a sample of ten salary rates from the National Joint Council for Local Government Services 1819 pay uplift publication that each rate had been accurately uploaded to iTrent.
- Overtime payments are recorded within Authority departments on standardised forms which are completed and forwarded to Payroll. Forms are authorised by the appropriate budget manager. Information from these overtime forms is manually entered into a spreadsheet by the Payroll team and saved as a CSV (comma separated value) file for upload to iTrent. We confirmed for a sample of five overtime and five additional payments that appropriately authorised supporting documentation was available for the payments, and that this was accurate on the iTrent system.
- The Authority has a Payroll processing timetable which sets out the dates key information should be received in order to be processed by payday. We confirmed that this timetable is complete, useful and is available on the organisation's intranet.
- BACS runs detail the total value of the payroll for the month and are provided by Midlands HR. We confirmed that for the three most recently available consecutive months of August, September and October 2018 that a final BACS report was held that was signed by two members of the MHR Payroll team and subsequently by a member of the Finance team to confirm review and authorisation.
- We obtained net pay variance reports (Element and Gross to Net) for August, September and October 2018, confirming in all cases that a report had been run and was stored within the shared file system. Through review, we further confirmed that each variance over 30% had a narrative provided within the report.

We have also agreed one 'low' priority management action, detailed further within section two of this report.

1.4 Additional information to support our conclusion

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

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
General Ledger	0	(8)	0	(8)	0	0	0
Payments and Creditors (Accounts Payable, AP)	0	(6)	0	(6)	0	0	0
Income and Debtors (Accounts Receivable, AR)	0	(3)	0	(3)	0	0	0
Cash and Treasury Management	1	(3)	0	(3)	1	0	0
Assets	0	(6)	0	(6)	0	0	0
Payroll	0	(9)	0	(9)	0	0	0
Total					**1**	**0**	**0**

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

2 DETAILED FINDINGS

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

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Cash and Treasury Management								
1	The cash flow forecast is not reviewed against the actual cash position to determine the accuracy of forecasting.	Yes	Yes	We noted that the cash flow forecast is not regularly reviewed against the actual cash position to review the accuracy of forecasting and make any required changes. There is a risk of the forecasting process not being effective if the effectiveness of the process is not routinely reviewed to incorporate any new information.	Low	The cash flow forecast will be reviewed against the actual cash position on an ongoing basis to review the accuracy of forecasting.	March 2019	Chief Accountant

APPENDIX A: SCOPE

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

Scope of the review

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

Objectives of the area under review
Yearly coverage of key financial controls systems to ensure systems are adequately designed and are being complied with.

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

Areas for consideration:

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

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

Limitations to the scope of the audit assignment:

- We will not confirm that the finance system work flows are enforcing approval limits;
- We will not confirm that journals are valid, only that they have been reviewed and approved appropriately;
- We will not confirm that the finance system has been backed up, only that a confirmation has been received;
- We will not substantively re-perform control account reconciliations;
- We will not confirm the validity or appropriateness of new suppliers or amendments to supplier details;
- We will not confirm that goods and services paid for have been received by the organisation;
- We will not confirm the amount paid for goods and services reflect value for money;
- We will not confirm that all income due has been identified and invoiced for in a timely manner;
- We will not confirm that all actions have been taken to collect income due to the organisation;
- We will not confirm that asset register includes all capital assets held;
- We will not confirm that all capital assets are still controlled by the organisation;
- We will not confirm that the most appropriate depreciation calculation methodology has been used;
- We will not confirm that overtime or additional payments claimed has been worked;
- All testing will be compliance based sample testing only; and
- 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
- Jackie Hammer – Principal Finance Officer
- Helen Lincoln – Principal Finance Officer

Benchmarking

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

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	67%	X
Reasonable assurance	33%	
Partial assurance	-	
No assurance	-	
Management actions	**Average number in similar audits**	**Number in this audit**
	5	1

FOR FURTHER INFORMATION CONTACT

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BEDFORDSHIRE FIRE & RESCUE AUTHORITY

Risk Management

FINAL

Internal audit report 4.18/19

13 February 2019

CONTENTS

Debrief held	22 January 2018	**Internal audit team**	Daniel Harris - Head of Internal Audit Suzanne Rowlett - Senior Manager Satnam Parmar - Senior Auditor Jordan Williamson - Internal Auditor
Draft report issued	31 January 2019		
Revised draft report issued	13 February 2019		
Responses received	13 February 2019		
Final report issued	13 February 2019	**Client sponsor**	Andy Peckham - Head of Service Development and Organisational Assurance
		Distribution	Andy Peckham - Head of Service Development and Organisational Assurance

1 EXECUTIVE SUMMARY

1.1 Background

A review of Risk Management was undertaken at Bedfordshire Fire and Rescue Authority as part of the approved Internal Audit Plan for 2018/19. The objective of the review was to provide assurance over the effectiveness of the risk management framework in place.

As of January 2019, 39 risks had been recorded on the Corporate Risk Register. The Authority has in place a risk management system, Abriska, which is used to record risks, risk responses and actions which can be accessed by risk owners. Abriska details the full history of risks identified by the Corporate Management Team (CMT) which includes a breakdown of how risk scores, based upon the risk matrix, have evolved over time.

Three Policy and Challenge Groups are in place which are responsible for the review of risks on a quarterly basis. The Group consists of the following teams:

- Corporate Services;
- Human Resources; and
- Service Delivery.

Oversight of risk management resides with the Audit and Standards Committee which receives a Corporate Risk Register Report on a quarterly basis. The CMT and Service Delivery Leadership Team (SDLT) are also provided with the Corporate Risk Register, however, the CMT are responsible for updating and maintaining the risks identified.

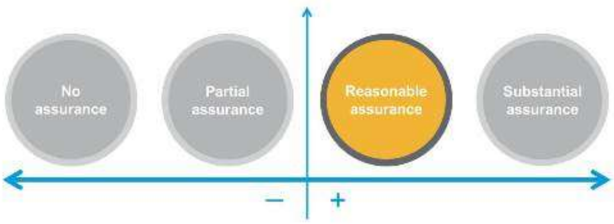
1.2 Conclusion

Our review found that a risk management control framework was in place to mitigate risks identified by the CMT and the wider organisation as appropriate. We found a detailed Risk Management procedure was in place in addition to Abriska User Guides for recording risks. However, we noted that the Service used different risk management terminology compared to that of widely accepted terms. Additionally, we found that whilst there was regular review of organisational risks by CMT, risks overdue for review had not been discussed within CMT meetings and there was no formal escalation process in place to address this. We noted that training on key risk management principles was in place as part of leadership and management development units and training on the use of system was evident through the provision of Abriska user guides. We did note, however, that formal training on key elements of practical organisational risk management such as the quality of risk descriptions, the level of information required for risk reviews and management of risk actions has not been provided to risk owners.

Overall, we noted that there had been improvement in the management of this area since our last review in April 2018. This can be demonstrated by the introduction of the functionality for the recording of mitigating controls, assurances and gaps in controls within Abriska, indicating a positive move towards a more integrated, evidence-based approach to risk management. However, further work was now required to populate the increased functionality.

Internal audit opinion:
Taking account of the issues identified, the Authority can take reasonable assurance that the controls in place to manage this risk 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 risk(s).



1.3 Key findings

The key findings from this review are as follows:

Service Assurance Framework and Procedures

- We confirmed the Service has in place a Service Assurance Framework which was approved in August 2018 by the Chief Fire Officer. We noted the framework detailed key information on business continuity, information security and risk management.

- Additionally, we found the Service had in place a Corporate Risk Management Policy and Risk Management Service Order. We were advised by the Organisational Assurance Manager that both documents were in the process of being combined to form an up to date Risk Management Service Order.

Risk Management Training

- Review of the Service Assurance Framework revealed the Head of Service Development and Assurance was responsible for ensuring Risk Management arrangements were embedded into the Service's culture. Whilst we found training guides for the use of Abriska were in place, formal training on risk management had not been provided to risk owners. Failure to have in place formal training increases the risk of risk owners not having sufficient practical knowledge of risk management to enable effective management of the organisation's risks. **(Medium)**

Corporate Risk Register

- Through review of the October, November and December 2018 CMT minutes, we found two new risks were identified by the CMT and discussed in relation to Sharepoint and Brexit.

- We found that, following an action raised in our 2017/18 Risk Management review, the Abriska system had been updated to include fields for mitigating controls, assurances and gaps in controls/assurances. We noted, however, that these fields had not been populated for the risks on the Corporate Risk Register. This may result in risks not being effectively monitored and gaps not being identified in controls and assurances to mitigate against. **(Medium)**

- Each of the Service's risks are described using the cause-effect model, and each risk is assigned an absolute risk score, an inherent risk score and a residual risk score using a 5x5 matrix. The risk scoring definitions are not in line with widely accepted risk management terminology (including the inherent risk score related to the current risk level, given the controls in place; and the residual risk score related to the target risk level for the

organisation. Whereas the generally accepted risk management terminology, where the untreated risk rating is the inherent risk, the risk rating with controls in place is the residual risk and the target risk level would be known as a target score.)
There may be a risk of confusion, particularly when engaging with external organisations in relation to risk management if generally accepted risk terminology is not used. If the organisation wishes to continue with its current terminology, there is a risk of risks being assigned inappropriate scores if the organisational definitions of absolute, inherent and residual risk are not defined within the Risk Management Service Order. **(Medium)**

Risk Management Governance

- We confirmed the Service had in place Terms of Reference for the CMT and Service Delivery Leadership Team (SDLT, formerly the Service Delivery Management Team). We noted the remit of both forums.

- Review of the July, September and December 2018 Audit and Standards Committee minutes revealed the Corporate Risk Register Report was consistently received which detailed changes to risks and scores.

- The CMT is provided with an update on the Corporate Risk Register on a monthly basis. Evidence of challenge of outstanding risk reviews and actions is not recorded within the CMT minutes and there is no formal escalation process in place for non-compliance with regards to risk reviews and outstanding actions. We noted of the 39 risks identified on the January 2019 risk register, 14 risks were overdue for review. Whilst we noted the residual risk scores of ten of the 14 overdue risks were below five, the remaining four overdue risks were scored eight and higher. Failure to update risks in a timely manner increases the risk that such events identified within the risk register may materialise without frequent review and the introduction of risk mitigating controls. **(Medium)**

We have also agreed four ‘low’ priority management actions, detailed further in section two, below.

1.4 Additional information to support our conclusion

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

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Risk Management	3	(10)	5	(10)	4	4	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	7	3	0

Number of actions implemented/ superseded	3	1	0
Actions not yet fully implemented:	4	2	0

2 DETAILED FINDINGS

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

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
1	The organisation has a Corporate Risk Management Policy and Risk Management Service Order in place. The policy and service order are due to be combined into a revised Risk Management Service Order which is currently in draft format. The Service Order is reviewed annually and is available to all relevant staff via the organisation's intranet site.	Yes	No	We were advised by the Organisational Assurance Manager that the Risk Management Policy and Risk Management Service Order were being combined, resulting in an up to date Risk Management Service Order. We reviewed the current policy and Service Order and confirmed that they provided details of the risk management processes in place, including risk identification, risk assessment and risk rating. We noted through review of the draft Service Order that the responsibility for CMT to review and update risks had been added.	Low	The revised Risk Management Service Order will be approved at the appropriate governance forum and made accessible to all relevant staff.	April 2019	Organisational Assurance Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				We noted that there was no clear timeframe for when the revised Service Order would be approved and available to all relevant staff. There is a risk of the current service order not being reflective of organisational practice.				
2	The Abriska system is utilised for the documenting and subsequent management of Service risks. The system encompasses the Corporate Risk Register which details the following key information for each risk: • Risk owner; • Risk scores and treatment; • Risk review date; and • Actions. Whilst fields for mitigating controls, assurances and gaps in control exist within the Abriska system, these have not been populated for any risks on the Corporate Risk Register.	No	NA	A management action had been agreed during our 2016/17 Risk Management review regarding the updating of the Corporate Risk Register with key columns: • Mitigating controls; • Assurances against controls; and • Gaps in controls and assurances. We found, however, that whilst the Abriska system had been updated to include the above fields, these fields had not been populated for the risks on the Corporate Risk Register. This may result in risks not being effectively monitored and gaps not being identified in controls and assurances to mitigate against.	Medium	Risks on the Corporate Risk Register will have the following fields populated: • Mitigating controls; • Assurances against controls; and • Gaps in controls / assurances.	May 2019	Head of Service Development & Assurance

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
3	Each of the Service's risks are described using the cause-effect model, and each risk is assigned an absolute risk score, an inherent risk score and a residual risk score using a 5x5 matrix. The risk scoring definitions are not in line with widely accepted risk management terminology.	No	NA	We were advised by the Head of Service Development and Organisational Assurance that: • the absolute risk score related to the impact of the risk untreated if no controls were in place; • the inherent risk score related to the current risk level, given the controls in place; and • the residual risk score related to the target risk level for the organisation. We noted that this differed from generally accepted risk management terminology, where the untreated risk rating is the inherent risk, the risk rating with controls in place is the residual risk and the target risk level would be known as a target score. There may be a risk of confusion, particularly when engaging with external organisations in relation to risk management if generally accepted risk terminology is not used. If the organisation wishes to continue with its current terminology, there is a risk of risks being assigned inappropriate scores if the organisational definitions of absolute, inherent and residual risk are not defined within the Risk Management Service Order.	Medium	The organisation will decide whether to utilise the standard risk management definitions for inherent, residual and target risk. If it decides to continue with its use of absolute, inherent and residual risks, the definitions of these will be documented within the Risk Management Service Order.	May 2019	Organisation al Assurance Manager
4	The Service Assurance Framework states that it is the responsibility of the Head of Service	Yes	No	We were advised by the Head of Service Development and Organisational Assurance that risk owners are members of CMT and their appointment relies on a level of	Medium	Formal risk management training will be provided to risk	May 2019	Organisation al Assurance Manager

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	Development and Assurance to ensure that Risk Management arrangements are embedded into the service culture. This includes training for all managers with respect to Risk Management.			management knowledge which will usually include training in the principles of risk management including qualifications in Business Management for two of the three CMT members. We noted that user guides were in place for the use of Abriska and held within the system to assist with use. Whilst training guides for the use of the system are in place and risk owners are expected have some knowledge of risk management principles, formal training on key elements of practical organisational risk management such as the quality of risk descriptions, the level of information required for risk reviews and management of risk actions has not been provided to risk owners. Additionally, with the organisation moving towards assigning mitigating controls, assurances and gaps in controls to all risks in the risk register for the first time, there is a risk of risk owners not having sufficient practical knowledge of risk management to enable effective management of the organisation's risks.		owners and other key staff. Areas to be covered could include: • the quality of risk descriptions • the level of information required for risk reviews • management of risk actions • mitigating controls • assurances gaps in control		
5	Each Service risk is assigned a risk owner who is responsible for reviewing their risks. Members of the CMT are responsible for updating and maintaining	Yes	No	Through review of the January 2019 Corporate Risk Register, we selected a sample of ten risks and reconciled the risks to the Abriska System.	Low	The Service will update the Risk Procedure to include the minimum frequency at which risks will be reviewed.	May 2019	Organisational Assurance Manager

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	those risks that fall within their area of responsibility. Risk treatment actions are identified for each of the Service's corporate risks. This is to include details of the action along with the action owner and a proposed date for the completion of the action.			We confirmed in all instances, risks had been allocated to responsible owners and risk review dates. Of the ten risks reviewed, we noted actions were raised in five instances. In the remaining five instances, risks were accepted therefore actions were not required. We found of the ten risks reviewed, risks were overdue for review in five instances. We noted this included: • CR44 which was overdue by 110 days and had a residual score of 16; • CR23 which was overdue by 239 days and had a residual score of 3; • CR19 which was overdue by 139 days and had a residual score of 3; • CR14 which was overdue by 82 days and had a residual score of 3; and • CR20 which was overdue by 82 days and had a residual score of 2. Furthermore, we noted that justifications had not been recorded as to why risk reviews had not been completed. Through review of the Service's Risk Management Service Order, we noted that the minimum risk review frequency had not been stated. This was further substantiated through review of the Abriska system as a risk had been highlighted as in need of review,				

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				however, the review date set by the Service was in mid-2019. Failure to actively review risks as review dates fall due increases the risk of such events materialising. Additionally, mitigating actions may not be implemented in a timely manner which may further increase the risk of such events occurring. We have raised a management action below in relation to the overdue risk reviews.				
6	Updates to the register may take place as a result of horizon scanning by the Service Strategic Command Team or CMT. Alternatively, SCT / CMT members can make additions or updates to the Corporate Risk Registers and notify these changes by emailing the Head of Strategic Support	Yes	No	Through review of the October, November and December 2018 CMT minutes, we found two new risks were identified by the CMT in relation to: • Sharepoint becoming unusable; and • Brexit. Whilst we found discussions had taken place around the two risks identified, corresponding inherent risk scores had not been discussed by CMT. Failure to propose risk scores may present the risk of insufficient oversight by the CMT. This may result in inappropriate prioritisation of risks identified.	Low	Management will ensure that where new risks are identified by CMT, risk scores will be allocated to the identified risks prior to being added to the Corporate Risk Register.	May 2019	Organisational Assurance Manager
7	The CMT Terms of Reference (ToR) is in place to define the group's remit.	Yes	No	Through review of the CMT ToR we noted it was last reviewed in August 2018. We noted the ToR detailed key responsibilities of the CMT which included the review, monitoring and effective management of corporate risk.	Low	Management will update the CMT ToR to include the quoracy requirements and state	May 2019	Head of Service Development

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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				We also found both the accountability and reporting lines of the CMT had been stated. However, as per the management action raised in the 2017/18 review, we noted that neither the quoracy or frequency at which the ToR should be reviewed had been stated. Failure to state both the quoracy requirements and frequency the ToR should be reviewed may present the risk of the CMT Team being unreflective of current practice. Furthermore, this may be impeded by decisions taken place without individuals with required proficiency present.		how frequently the ToR is to be reviewed		and Assurance
8	The CMT is provided with an update on the Corporate Risk Register on a monthly basis. A formal report is not presented at the CMT meetings, instead, the Corporate Risk Register is viewed on the projector screen using the Abriska system with a verbal update being provided by the Head of Organisational Assurance. Evidence of challenge of outstanding risk reviews and actions is not recorded	No	NA	Through review of the Authority's Risk Management Procedure, we noted the CMT were responsible for updating and maintaining the risks identified within the corporate risk register. Review of the October, November and December 2018 minutes revealed that the registers were consistently presented. We noted discussion surrounding risks had occurred, however, challenge of risks could not be evidenced within the CMT minutes. We noted of the 39 risks identified on the January 2019 risk register, 14 risks were overdue for review. Whilst we noted the residual risk scores of ten of the 14 overdue	Medium	The CMT will actively discuss and challenge risks that have not been reviewed in line with documented timeframes or those with outstanding actions to be completed. An escalation process will be put in place for any regular non-compliance, with progress against risks (including regularity of review and progress against action plans) to be discussed as part of each risk owner's one	March 2019	Head of Service Development and Assurance

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	within the CMT minutes and there is no formal escalation process in place for non-compliance with regards to risk reviews and outstanding actions.			risks were below five, the remaining four overdue risks were scored eight and higher. Failure to update risks in a timely manner increases the risk that such events identified within the risk register may materialise without frequent review and the introduction of risk mitigating controls.		to one monthly meetings with Principal Officers.		

APPENDIX A: SCOPE

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

Scope of the review

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

Objectives of the area under review
Annual Review of the Risk Management arrangements.

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

Areas for consideration:

- Risk Management Strategy and associated policies and procedures
- The provision of training and the assignment of roles and responsibilities for risk management
- Arrangements for identifying and assessing risks linked to strategic and operational objectives
- Processes for review and updating of the strategic/corporate/operational risk registers
- Processes at a departmental level for reviewing and reporting on risks in these areas
- The arrangements for escalating and reporting risks for the attention of senior management, via appropriate governance forums.
- How controls and assurances and captured on the relevant risk registers, and whether feedback on risks are fed back to committees and groups for assurance purposes.
- The operation and effectiveness of an assurance framework, and the process for escalation and review of risks for consideration and inclusion in relation to this document.

Limitations to the scope of the audit assignment:

- This review did not comment on whether individual risks are appropriately managed, or whether the organisation has identified all of the risks and opportunities facing it.
- We do not endorse a particular means of risk management.
- It remains the responsibility of the Authority and senior management to agree and manage information needs and to determine what works most effectively for the organisation.

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:

- Andy Peckham – Head of Service Development and Assurance
- Ian McLaren – Organisational Assurance Manager
- Karen Daniels – Service Assurance Manager

Benchmarking

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

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	72%	
Reasonable assurance	14%	X
Partial assurance	14%	
No assurance	0%	
Management actions	**Average number in similar audits**	**Number in this audit**
	3	8

FOR FURTHER INFORMATION CONTACT

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
27 February 2019
Item No. 9

REPORT AUTHOR: **T/ ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES**

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 2017/18
- 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 2018/19 Annual Governance Statement.

RECOMMENDATION:

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

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1. Introduction

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

1.2 In their meeting on 5 April 2012, Members of the Audit and Standards Committee agreed that progress on the action plans be reported to each meeting of the appropriate Policy and Challenge Group and action point owners report progress by exception to the Audit and Standards Committee. This is the third report to the Corporate Services Policy and Challenge Group for the year 2018/19.

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 2018/19 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 2018/19 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 2017/18 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 6 July 2018, as part of the 2017/18 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 Medium Low	Recommendations are prioritised to reflect RSMs assessment of risk associated with the control weaknesses.

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.

GAVIN CHAMBERS
T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES

Monitoring Report of Actions Arising from Audit Reports **APPENDIX A**
(incorporating any actions outstanding at 31 March 2018 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')
RM (17/18) 5	**RSM** Apr 18: Final Report (17/18) **RSM** (RM) Feb 19: Final Report (18/19)	Risk Management Head of Service Development & Assurance	Low	The Service will introduce formal risk management training for risk owners and other key staff.	Specific Corporate Management Team User Guides for Abriska, the Service Risk Management System, is currently being developed and formal risk management training for key staff will be presented at a CMT at a meeting in December 2018	**Original** Aug 18 **Agreed Revised Date** Dec 18	Action superseded – 2018/19 RM audit new ref 4
FM (17/18) 2.1a	**RSM** Follow Up June 18: Final Report (17/18)	Stocks and Inventory Head of Operational Support	Medium	The Authority will ensure that the review and update of all OP numbers is completed to ensure they relate to the correct item and the correct shelf space in stores. The Technical Support Manage will ensure an interim stoke take is performed on all stock held by the Technical department to ensure accuracy and evidence of this will be retained	A review of stock and its location has been untaken. Where needed stock and OP numbers have been relabelled.	**Original** Dec 19	Completed – To be confirmed by follow up audit
RM (17/18) 3	**RSM** Apr 18: Final Report (17/18) **RSM** (RM) Feb 19: Final Report	Risk Management Head of Service Development & Assurance	Medium	The Corporate Risk Register will be updated to encompass the following fields: • Mitigating controls; • Assurances against controls; and • Gaps in controls / assurances.	The Corporate Risk Register (in Abriska) has been updated to encompass the following fields: • Mitigating controls; (Linked Controls) • Assurances against controls; and (Maturity Defined and Justified Proposed Maturity Defined and Justified)	**Original** August 18	Action superseded – 2018/19 RM audit new ref 2

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')
	(18/19)				• Gaps in controls / assurances.		
RM (17/18) 4	**RSM** Apr 18: Final Report (17/18) **RSM** (RM) Feb 19: Final Report (18/19)	Risk Management Head of Service Development & Assurance	Medium	A review of all risk scores will be undertaken in line with the following definitions: • Inherent risk - the risk that an activity would pose if no controls or other mitigating factors were in place; and • Residual risk - the risk that remains after controls and other mitigating factors are taken into account	A review of all risk scores will be undertaken in line with the following definitions: • Absolute risk - the risk that an activity would pose if no controls or other mitigating factors were in place; and Inherent risk - some risk controls in place, and action plan to address further risk. • Residual risk - the risk that remains after controls and other mitigating factors are taken into account	**Original** Aug 18	Action superseded – 2018/19 RM audit new ref 3
RM (17/18) 9b	**RSM** Apr 18: Final Report (17/18) **RSM** (RM) Feb 19: Final Report (18/19)	Risk Management Head of Service Development & Assurance	Medium	Where updates and assurances against risks are reported as part of Corporate Risk Register reports to the Policy and Challenge Groups and the Audit and Standards Committee, risk scores will also be included for review as to whether they require revising.	Completed - CMT will ensure they do this in there Review and monitor section for PCG reports.	**Original** May 18	Completed – Confirmed by follow up audit

APPENDIX B

Monitoring Report of Actions Arising from 2017/18 Annual Governance Statement

No	Issue	Source	Planned Action	Progress to date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
1	Medium Term Budget/CRMP	Assurance Statements	To continue to address the medium term funding gap.	Budget work for the 2019/20 budget has commenced, with the normal timetable leading up to budget setting in February 2019. The budget gap will again be forecast as part of the budget setting process, which updates the position annually.	Mar 2019	Complete
2	Review of Authority Effectiveness	All actions from the 2017/18 Review of Authority Effectiveness Action Plan to be completed during 2018/19 and formally reviewed by Members as part of the following year's process	All actions from the 2017/18 Review of Authority Effectiveness Action Plan to be completed during 2018/19 and formally reviewed by Members as part of the following year's process.	At the Audit and Standards Committee meeting on 25 September 2018 it was agreed to defer the FRA review of effectiveness for 2018/19 to 2019/20 when the Governance audit and elections have taken place.	Mar 2019	Deferred to Mar 2020

Monitoring Report of Actions Arising from 2017/18 Annual Governance Statement

No	Issue	Source	Planned Action	Progress to date	Timing For Completion	Status ('Not Started', 'In Progress' or 'Completed')
3	Non-Operational recruitment	Difficulty in attracting and recruiting to non-operational vacancies.	To conduct a salary benchmarking exercise	Analysis complete. Data demonstrates that pay levels for posts that are difficult to recruit to, are considerably below the sector that the BFRS pay is aligned to. Outcomes and options reported to CMT. CMT approved the realignment of green book pay to coincide with the introduction of new NJC pay scales effective from April 2019. HR are currently reconfiguring systems and preparing comms for the those affected.	Dec 2018 Implement changes Apr 2019	Completed

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
27 February 2019
Item No. 10

REPORT AUTHOR:	**T/ASSISTANT CHIEF OFFICER - FINANCE AND CORPORATE SERVICES**
SUBJECT:	**REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING 2018/19 AS AT 31 JANUARY 2019**

For further information on this Report contact: Gavin Chambers
T/Assistant Chief Officer (Finance and Corporate Services)
Tel 01234 845163

Background Papers: 2018/19 FRA Budget Papers

Implications (tick ✓):

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

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

PURPOSE:

To inform the Corporate Services Policy and Challenge Group (CSP&CG) of the forecast year end budget monitoring position as at 31 January 2019 and to seek agreement to the recommendations contained within.

RECOMMENDATIONS:

That the CSP&CG:

1. Review and comment on the forecast outturns for revenue and capital.

1. Introduction

1.1 On 8 February 2018, the Fire and Rescue Authority (FRA) approved a Revenue Budget Requirement for 2018/19 of £29.437m and a Capital Programme of £1.253m.

2. Revenue Budget Monitoring

2.1 The Revenue Budget efficiency savings for 2018/19 can be found in Appendix 1. The budgets have been reduced for these areas, therefore if they are not achieved it is likely this would lead to an overspend. This appendix forms part of the Government return, in order to receive the four year Government funding offer. It will also be used to populate the new NFCC savings and efficiencies return.

2.2 The funding of the 2018/19 Revenue Budget is by way of Government Funding £6.768m, local Business Rates redistribution £2.136m and Council Tax of £19.972m. There is also funding from a Collection Fund surplus of £0.291m, a further amount of £0.270m is funded from Corporate reserves.

2.3 **Forecasting Outturn:**

2.3.1 Tables 1 and 2 below are populated during the year in line with the spreadsheet returns that Corporate Management Team (CMT) members submit to the Finance Team and also through the meetings that Finance Officers have with CMT members. The forecast outturn positions are as accurate as the information received from each CMT member.

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

2.3.3 **Table 1: 2018/19 Revenue Budget Forecast Outturn (excluding salary budgets)**

Title	Current Budget £	YTD Actuals	F/cast Yr-End Outturn £	Variance £	RAG status (see note below**)
Strategic Management	143,100	56,300	143,100	0	Green
T / ACO - Finance and Corporate Services	4,023,600	2,072,686	4,023,600	0	Green
Head of Response	1,026,200	911,269	1,008,200	(18,000)	Green
Head of Service Development and Assurance	215,700	174,610	215,700	0	Green
Head of Service Support	1,055,500	716,750	1,106,500	51,000	Green
Head of Protection	138,200	81,253	138,200	0	Green
Head of Information Communications Technology	1,491,900	765,083	1,491,900	0	Green
Head of Human Resources	244,100	130,616	236,100	(8,000)	Green
Total	**8,338,300**	**4,908,567**	**8,363,300**	**25,000**	

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

2.3.4 The previously reported forecast underspend of (£90k) within Head of Finance and Treasurer relates to extra income from the Ministry of Housing, Communities & Local Government, following a recalculation of business rates from prior years and has been moved to the Transformation Reserve as previously agreed to support future years' budget setting.

2.3.5 The current year to date (YTD) spend as at 31 January 2019 looks low in a number of areas, the reasons for this are highlighted below;

Strategic Management includes an Earmarked Reserve for £47k to help fund defibrillators in the community and a further £23k for Service Events, both of which are ongoing across a number of years and any underspend will be carried forward into 2019/20 for spend in future years.

T / ACO - Finance and Corporate Services budget includes £2m of year-end adjustments for contributions to capital, loan principal and interest and also the income received from our local authority partners which is received over 11 months, so not equally apportioned across the financial year. Overall these variances will be £0 at year end.

Head of Response is predicting an underspend (£18k) due to the low price of Derv.

Head of Support Services - The low spend to date relates mainly to unbudgeted income received in relation to the Emergency Services Mobile Communications Project (ESMCP) of £183k not yet spent, any unspent income will be carried forward into future years at year end as the project crosses over a number of financial years. It is forecast that there will be an overspend in this area relating to Technical equipment where it has been necessary to purchase a number of items including, hose reels and lay flat hoses £17k, the purchase of Privacy Screens from the EU which have been purchased in advance of Brexit to mitigate any potential supply problems £14k. There have also been unforeseen changes to the Breathing Apparatus (BA sets and compressors along with testing equipment for moisture monitoring £20k.

The low spend to date in the Head of Protection is mainly as a result of the budget for smoke alarms being profiled equally across the financial year, however there is no pattern to the actual spend on these items and it is expected to show a nil (£0) variance at the year end.

Within Head of Information Communications Technology the low spend to date is due to the movement of £181k from Capital to revenue for the Xin Desktop £104k & SharePoint £77k upgrade as previously reported, we are awaiting a further £135k worth of invoices from August 2018 to January 2019 from the Home Office relating to mobile communications, recharges for ICT shared Services not yet calculated which is estimated to be £60k. A risk remains that due to ICT workloads these projects may slip into 2019/20. Overall these variances will be £0 at year end.

Head of Human Resources directorate is predicting a year end underspend of (£8k) relating to the costs of Physiotherapy and Employee Assistance Programme within Occupational Health.

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

2.3.7 As previously reported and noted in Appendix 1, the forecast saving/efficiency of £50k for PPE will not be delivered in 2018/19. However, this will be exceeded in 2019/20 and will therefore be captured with the forthcoming budget process.

Table 2: 2018/19 Salary Budget Forecast Outturn

Category	Current Budget £	YTD Actuals £	Forecast year end outturn £	Variance £
Whole Time	13,199,300	10,953,077	12,954,300	(245,000)
Control	894,500	773,670	894,500	0
Retained	1,878,600	1,437,188	1,728,600	(150,000)
Non operational	5,152,900	4,262,237	5,046,900	(106,000)
Agency	393,700	300,218	393,700	0
Holiday Pay costs relating to O/T	0	0	27,000	27,000
Grand Total	**21,519,000**	**17,726,390**	**21,045,000**	**(474,000)**

2.3.8 The pay award for firefighters for July 2018 onwards was agreed at 2%, this has led to an underspend of (£188k) within Whole Time for 2018/19. Following detailed budget analysis (£127k) has been identified relating to employer pension costs, for employees transitioning between the different pension schemes. With the next 2015 scheme having a lower employer contribution rate, these savings have been identified and have been captured in the 2019/20 budget as part of the budget setting process. These savings have been offset by a temporary increase in posts above the budgeted establishment due to the forward recruitment of firefighters currently in training to ensure there is no gap in front line provision when retirements take place.

2.3.9 Retained salaries are forecast to have an underspend of (£150k) due to a continued number of vacancies within this area. Due to the ongoing changing vacancies within this area work is ongoing to review the Retained Duty System.

2.3.10 The underspend within the Non-operational area relate to vacancies within ICT (£30k), Workshops (£30k), Occupational Health (£20k), Office Services (£17k) and Finance (£9k). The ICT underspend relates to the Shared Service team and does not take into account the year end recharge done between the two Authorities.

2.3.11 The £27k overspend in the table above relates to the payment of holiday pay on overtime worked, the exact details of this are being finalised and will be included within each of the Category areas in the out-turn report.

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

2.4.1 The total forecast variance at year end including both the non-salary figures in Table 1 above and for pay and on costs, including agency staff shown in Table 2, is currently expected to be an underspend of (£449k). This underspend will be moved to the Transformational Reserve as agreed by the Fire and Rescue Authority (FRA) on the 7 February 2019.

2.4.2 The Authority is due to receive £340k by the end of 2018/19 from the previous Pensions Administrator. This is following an agreement by both parties on past services received and is in addition to the forecast underspend above.

3. Capital Programme Monitoring

3.1 Table 3 below is the 2018/19 Capital Programme. The Red, Amber, Green (RAG) status indicates how well the schemes are progressing (Green being on target for year-end completion within budget; Amber indicating possible slippage or overspend; and Red indicating actual slippage/overspend or deletion of the scheme.

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

Table 3: The 2018/19 Capital Programme

Scheme	2018/19 £'000s	Forecast Outturn £'000s	RAG Status
Fleet:			
Vehicles/associated equipment	404	404	G
ICT Projects:			
IT Developments			
Server hardware renewal (deferred from 2015/16)	320	257	G (An underspend has been forecast of £63k)
IT & Communications			
Renewal of Risk Information Mobile Data Terminals (GPS, premises information)	211	211	G
General:			
Capital Works - Service Wide (roofs, drill grounds, etc.)	80	80	G
Fitness Equipment Expenditure	15	15	G
Workshop vehicle lifting equipment	42	42	G
TOTAL	**1,072**	**1,009**	

3.4 **Capital Programme – Withdrawals, Additions or Variations:**

3.4.1 Variation – The Server Hardware renewal project has finished and has been delivered on time with an underspend of (£63k).

GAVIN CHAMBERS
T/ASSISTANT CHIEF OFFICER - FINANCE AND CORPORATE SERVICES

Medium Term Savings and Efficiencies 2018/19

CMT Lead	Ref	Savings/Efficiencies	2018/19 £'000s	RAG Status
HRes	1	Reduction of One Area Commander post and a Service Operational Commander (SOC) allowance (main financial impact was in 2017/18).	35	G – complete
HFAT	2	Income from Property Rents & Collaboration	15	G – complete
HP/HRes	3	Control Income generation	15	A – not progressed
		New Savings as part of the 2018/19 budget setting process		
HFAT	4	Saving following Procurement of new Fire Fighter PPE Contract	50	R – as reported, moved to 2019/20
HSS	5	Air Bags (operational use for lifting)	35	G – complete
HFAT	6	Re-tender of service wide waste contract	20	G – complete
HFAT	7	Refreshments reduction at Committees and meetings	1	G – complete
HICT	8	Printers/Photocopiers leasing renegotiation	7	G – complete
		Total	**178**	

For Publication

Fire and Rescue Authority
Corporate Services Policy and Challenge Group
27 February 2019
Item No. 11

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

SUBJECT: **TREASURY MANAGEMENT STRATEGY AND PRACTICES**

For further information on this Report contact: G Chambers
T/Assistant Chief Officer (Finance and Corporate Services)
Tel No: 01234 845000

Background Papers:

The Treasury Management Strategy and Treasury Management Policies for 2018/19 were scrutinised by the Corporate Services Policy and Challenge Group on 12 March 2018 and approved by the Fire and Rescue Authority on 26 April 2018

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

---

1. Outcome

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. Reason for Report

2.1 Treasury management activities can be defined as follows:

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

2.2 The reporting of treasury management activity and the treasury management prudential indicators must meet the requirements of the 2009, 2011 and 2017 revised CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities (as required through Regulations issued under the Local Government Act 2003). The main 2017 Code updates, for information, are noted in para 3.2 below.

3. Updated Documentation

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

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

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

3.2 The updated Treasury Management Strategy Statement is attached at Appendix A. There was an update in 2017 to the Code. These updates are summarised on pages 35 and 36 of Appendix 7. They are updated to capture the increasingly commercial approach being taken by many councils who are investing in property, with many outside of their own authority's area. The Code is now less prescriptive as to what indicators to be included in the strategy.

3.3 Since 2018/19, Inter Authority lending has also been included as an option to consider, should this arise, within the Strategy at para 6.4.

3.4 The Voluntary Minimum Revenue Provision, as discussed with Members and included in 2020/21 as part of the budget setting process for the 2019/20 financial year, has been noted at para 2.2.

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

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

There are no material updates to comment on for 2019/20.

4. Treasury Management and Support

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

- Training sessions were provided to Members in 2011, 2013 and 2015 by Capita Asset Services (now Link Asset Services).
- The most recent training was again provided by Link Asset Services at the Members Development on 4th July 2017. A further training session will be arranged for 2019 should Members request this.

5. Equality and Diversity Implications

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

6. Financial Implications and Value for Money

6.1 The Authority currently has:

- a total borrowing of £9.987m,
- short-term investments of up to £10m,
- budgeted interest of £90k in 2019/20 from investments.

It is vital these transactions are managed efficiently and effectively.

Brexit may of course have some impact on the Authority's investments during 2019 and the Service will react appropriately to these.

7. Health and Safety and Environmental Implications

7.1 None arising from this report.

PAUL FULLER
CHIEF FIRE OFFICER

GAVIN CHAMBERS
T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES

Bedfordshire Fire and Rescue Service

Fire and Rescue Service

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2019/20

1. Introduction

1.1 Background

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

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

CIPFA defines treasury management as:

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

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a long-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

1.2 Statutory Requirements

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

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

1.3 **CIPFA Requirements**

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2017) was adopted by this Authority on 1 April 2004.

The primary requirements of the Code are as follows:

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

1.4 **Treasury Management Strategy for 2019/20**

The strategy for 2019/20 covers two main areas:

Capital issues

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

Treasury Management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities on the Authority
- prospects for interest rates
- the borrowing strategy

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

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

1.5 **Training**

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

The training needs of treasury management officers are periodically reviewed.

1.6 **Treasury Management Consultants**

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

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

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

2. **The Capital Prudential Indicators for 2019/20 – 2021/22**

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

2.1 Capital expenditure

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

Members have approved (7th February 2019) the capital expenditure forecasts below:

Capital Expenditure £000's	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Total	1,190	1,200	1,736	1,354	1,379

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

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

Financing of capital expenditure £000's	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital receipts	0	134	140	96	50
Capital grants	3	0	0	0	0
Capital reserves	1,187	0	200	0	0
Revenue	0	1,066	1,396	1,258	1,329
Net financing need for the year	0	0	0	0	0

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

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

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

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has £6k of such schemes with the CFR.

The Authority has taken the option of increasing our MRP contributions from 2020/21 by an extra £200k per annum, this is classed as VRP (Voluntary Revenue Provision) and will have the impact of paying off our MRP charge early although the Authority has the option to unwind this in future years should budget pressures worsen. This strategy will be reconfirmed as part of the 2020/21 budget setting process.

The Authority is asked to approve the CFR projections below as part of this Strategy:

£m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Total CFR	**8,890**	**8,462**	**8,038**	**7,419**	**6,805**
Movement in CFR	**-496**	**-428**	**-424**	**-618**	**-614**

Movement in CFR represented by;					
Net financing need for the year (above)	**0**	**0**	**0**	**0**	**0**
Less MRP/VRP and other financing movements	-496	-428	-424	-618	-614
Movement in CFR	**-496**	**-428**	**-424**	**-618**	**-614**

3. Borrowing

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

3.1 Current Portfolio Position

The Authority's treasury portfolio position at 31 March 2018 with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement (CFR), highlighting any over or under borrowing.

£m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External Debt					
Debt at 1 April	9,987	9,987	9,987	9,987	9,987
Expected change in Debt	0	0	0	0	0
Other long-term liabilities (OLTL)	70	6	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	10,057	9,993	9,987	9,987	9,987
The Capital Financing Requirement	8,890	8,462	8,038	7,419	6,805
Under/(over) borrowing	(1,167)	(1,531)	(1,949)	(2,568)	(3,182)

3.2 Treasury Indicators: limits to borrowing activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £M	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Debt	9,987	9,987	9,987	9,987
Other long term liabilities	6	0	0	0
Overdraft	0	0	0	0
Total	9,993	9,987	9,987	9,987

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

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

2. The FRA is asked to approve the following authorised limit:

Authorised Limit £M	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Debt	9,987	9,987	9,987	9,987
Other long term liabilities	6	0	0	0
Overdraft	0	0	0	0
Worst Case Scenario Payroll	1,900	1,900	2,000	2,000
Total	11,893	11,887	11,987	11,987

3. Prospects for Interest Rates

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

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.80%	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.00%	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

2018 was a year which started with weak growth of only 0.1% in quarter 1. However, quarter 2 rebounded to 0.4% in quarter 2 followed by quarter 3 being exceptionally strong at +0.6%. Quarter 4 though, was depressed by the cumulative weight of Brexit uncertainty and came in at only +0.2%. Growth is likely to continue being weak until the Brexit fog clears.

The above forecasts are based on a major assumption that Parliament and the EU agree an orderly Brexit, either by 29 March or soon after. At their 7 February meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they have given a figure for this of around 2.5% in ten years' time but have declined to give a medium term forecast. However, with so much uncertainty around Brexit, the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they could also raise Bank Rate in the same scenario if there was a boost to inflation from increases in import prices, devaluation of sterling, and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could provide fiscal stimulus to boost growth.

5. <u>Borrowing Strategy</u>

5.1 Borrowing Rates

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

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

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

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

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

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

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

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

5.3. **Debt Rescheduling**

As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

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

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

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

6. <u>Annual Investment Strategy</u>

6.1 Investment Policy

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

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Authority applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor couterparties are the Short Term and Long Term ratings.

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

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

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

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

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

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

6.2 **Creditworthiness Policy**

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

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

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

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

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

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

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

- If a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

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

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

6.3 **Country Limits**

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

6.4 **Investment Strategy**

In-house funds:

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

Members of the FRA, during the member budget workshops for 2018/19, enquired about the potential of lending to local authorities. This is a possibility should an amount, interest rate and loan period be agreed. If this was to be something to implement that aligned with our cash flow, guidance and relevant paperwork would be sought and discussed with Link Asset Services.

Investment returns expectations: Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 2.00%

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

2018/19	0.75%
2019/20	1.00%
2020/21	1.25%
2021/22	1.75%
2022/23	2.00%
2023/24	2.25%
Later years	2.50%

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subsides, and how quickly the Brexit negotiations move forward positively.

6.5 End of Year Investment Report

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

6.6 Policy on the Use of External Service Providers

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

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

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

6.7 Scheme of Delegation

Please see Appendix 6.

6.8 Role of the Section 151 Officer

Please see Appendix 7.

Appendices

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

MINIMUM REVENUE PROVISION POLICY STATEMENT 2019/20

The Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10 and will assess their MRP for 2019/20 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 2019/20 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. Certain expenditure reflected within the debt liability at 31 March 2011 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method*)*. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

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

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

Affordability prudential indicators

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

a. Ratio of financing costs to net revenue stream

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

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
% Ratios	2.63%	2.46%	2.55%	2.49%	2.43%

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

Treasury indicators for debt

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

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

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

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

The FRA is asked to approve the following treasury limits:

Maturity structure of fixed rate borrowing during 2019/20		
	Lower	**Upper**
Under 12 months	0%	25%
12 months to 2 years	0%	25%
5 years to 10 years	0%	25%
10 years and above	0%	100%

INTEREST RATE FORECASTS

1. Individual Forecasts

Link Asset Services

Interest rate forecast –February 2019

	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Bank Rate	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%
5yr PWLB rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%
50yr PWLB rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%

Capital Economics

Interest rate forecast – January 2019

	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Bank Rate	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%
5yr PWLB rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%
10yr PWLB rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%
25yr PWLB rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%
50yr PWLB rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%

APPENDIX 3

ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to an acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is now probably unlikely to make a start on raising rates in 2019.

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

The key issue now is that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), also reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a significant risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we did, indeed, see a sharp fall in equity values in the last quarter of 2018 and into early 2019. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** It is particularly notable that, at its 30 January 2019 meeting, the Fed dropped its previous words around expecting further increases in interest rates; it merely said it would be "patient".

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. 2018 was a year which started with weak growth of only 0.1% in quarter 1. However, quarter 2 rebounded to 0.4% in quarter 2 followed by quarter 3 being exceptionally strong at +0.6%. Quarter 4 though, was depressed by the cumulative weight of Brexit uncertainty and came in at only +0.2%. Growth is likely to continue being weak until the Brexit fog clears.

The MPC has stated that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they have given a figure for this of around 2.5% in ten years' time but have declined to give a medium term forecast. However, with so much uncertainty around Brexit, the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, the MPC could also raise Bank Rate in the same scenario if there was a boost to inflation from increases in import prices, devaluation of sterling, and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could provide fiscal stimulus to boost growth.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the February Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead given a scenario of minimal increases in Bank Rate.

The **labour market** figures in November were particularly strong with an emphatic increase in total employment of 141,000 over the previous three months, unemployment at 4.0%, a 43 year low on the Independent Labour Organisation measure, and job vacancies hitting an all-time high, indicating that employers are having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation continued at its high point of 3.3%, (3 month average regular pay, excluding bonuses). This means that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. Prime Minister May is currently, (mid-February), seeking some form of modification or clarification from the EU of the Irish border backstop issue However, our central position is that the Government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and an unemployment rate of 4.0%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in December. However, CPI inflation overall fell to 1.9% in December and looks to be on a falling trend to continue below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, which was the fifth increase in 2018 and the ninth in this cycle. However, they dropped any specific reference to expecting further increases at their January 30 meeting. The last increase in December compounded investor fears that the Fed could overdo the speed and level of increases in rates in 2019 and so cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China and an expectation that world growth will slow. Since the more reassuring words of the Fed in January, equity values have recovered somewhat.

The tariff war between the US and China generated a lot of heat during 2018; it could significantly damage world growth if an agreement is not reached during the current three month truce declared by President Trump to hold off from further tariff increases.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. Current forward indicators for economic growth and inflation have now been on a downward trend for a significant period which will make if difficult for the ECB to make any start on increasing rates until 2020 at the earliest. Indeed, the issue now is rather whether the ECB will have to resort to new measures to boost liquidity in the economy in order to support growth. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. In its January meeting, it made a point of underlining that it will be fully reinvesting all maturing debt for an extended period of time past the date at which it starts raising the key ECB interest rates.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds
and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March 2018 of a government which has made a lot of anti-austerity noise. The EU rejected the original proposed Italian budget and demanded cuts in government spending. The Italian government nominally complied with this rebuttal – but only by delaying into a later year the planned increases in expenditure. This particular can has therefore only been kicked down the road. The rating agencies have downgraded Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold Italian debt. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to

support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.

- **Other minority EU governments.** Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. Elections to the EU parliament are due in May/June 2019.
- The increases in interest rates in the US during 2018, combined with a potential trade war between the USA and China, sparked major volatility in equity markets during the final quarter of 2018 and into 2019. Some **emerging market countries** which have borrowed heavily in dollar denominated debt, could be particularly exposed to investor flight from equities to safe havens, typically US treasuries, German bunds and UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Brexit timetable and process

- March 2017: UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50 on 29 March 2019.
- 25.11.18 EU27 leaders endorsed the withdrawal agreement
- Dec 2018 vote in the UK Parliament on the agreement was postponed
- 21.12.18 – 8.1.19 UK parliamentary recess
- 15.1.19 Brexit deal defeated in the Commons vote by a large margin
- 28.1.19 Further votes in the Commons
- 14.2.19 Further votes in the Commons
- 21.3.19 EU summit at which a Brexit option could be considered
- By 29.3.19 another vote (?) in UK parliament
- By 29.3.19 if the UK Parliament approves a deal, then ratification by the EU Parliament requires a simple majority
- By 29.3.19 if the UK and EU parliaments agree the deal, the EU Council needs to approve the deal; 20 countries representing 65% of the EU population must agree
- 29.3.19 Either the UK leaves the EU, or asks the EU for agreement to an extension of the Article 50 period if the UK Parliament has been unable to agree on a Brexit deal.
- 29.3.19: if an agreement is reached with the EU on the terms of Brexit, then this will be followed by a proposed transition period ending around **December 2020.**
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy may leave the single market and tariff free trade at different times during the transition period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

APPENDIX 4

SPECIFIED AND NON-SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

These are sterling investments that do not exceed 365 days and are with:

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

Strategy for specified Investments:

The Authority expects to have a net surplus of funds throughout 2019/20 and will invest those funds through the money market with those organisations included on its approved lending list (attached as Annex A).

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

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

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

Investments will be made for terms of up to 365 days. The Authority will consider its cash flow requirements, prevailing market conditions and advice from its Treasury Advisers when determining exact terms for each investment, in order to ensure that it is both favourable and prudent. At the time of writing, interest rates are at a low point.

Non-Specified Investments:

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

The Authority has no investments other than the short-term investment of surplus cash through the money market. Under previous regulations the investment of surplus cash was restricted to periods not exceeding 365 days. Under the new regulations that restriction is removed, however investments that do exceed 365 days are classified as non-specified investments because of the greater degree of risk they carry.

The Authority is investigating the use of Property Funds to supplement their investment portfolio and these would be in excess of 365 days. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The Authority will seek guidance on the status of any fund it may consider using.

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 as at 21.01.19

AAA

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

AA+

- Finland
- U.S.A

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % Limit	Max Maturity Period
UK banks	Orange	In-house	25%	**1 year**
UK banks and Building Societies	Red	In-house	25%	**6 months**
UK banks and Building Societies	Green	In-house	25%	**100 days**
UK banks and Building Societies	No Colour	In-house	Not to be used	
UK part nationalised banks	Blue	In-house	90%	**1 year**
DMADF	AAA	In-house	Unlimited	**6 months**
Local Authorities	N/A	In-house	25%	**5 years**
Money Market Funds LVNAV	AAA	In-house and Fund Managers		**1 year**
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	In-house and Fund Managers		**1 year**
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	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 approving reports on treasury management policies, practices and activities (via the Corporate Services Policy and Challenge Group);
- approval of annual strategy, following CSP&CG review;
- budget consideration and approval;

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

- recommending FRA approval (post any amendments) of the organisation's treasury management policy statement and treasury management practices;
- budget consideration and recommendation for FRA approval;
- review and recommend for FRA approval the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- reviewing a selection of external Treasury service providers and agreeing terms of appointment.;
- the review and challenge function of Treasury Management as delegated by the FRA.

iii. **Treasurer**

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

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (Responsible) Officer:

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

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

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities

- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees – our Authority doesn't have these.
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -
- Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

  - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

  - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

  - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

  - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Weekly Credit List: 01/02/2019

Institution Benchmark: iTraxx Senior Financials Index 88.90 (92.62)

Institution Benchmark: Monitoring Boundary: 100.00

:	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	-	-	-			-			
Collateralised LA Deposit*							-			Y - 60 mths
Debt Management Office							-			Y - 60 mths
Multilateral Development Banks							-			Y - 60 mths
Supranationals							-			Y - 60 mths
UK Gilts					Aa3	P-1	-			Y - 60 mths
Abbey National Treasury Services PLC	A	F1		1	Aa3	P-1	-	A+	A-1	R - 6 mths
Bank of Scotland PLC (RFB)	A+	F1	a	5	A2	P-1	-	A	A-1	O - 12 mths
Barclays Bank UK PLC (RFB)	A+	F1	a	1	Aa3	P-1	-			R - 6 mths
Close Brothers Ltd	A	F1	a	5	A1	P-1	-	A+	A-1	R - 6 mths
Goldman Sachs International Bank	A	F1		1			-	AA-	A-1+	R - 6 mths
Handelsbanken Plc	AA	F1+		1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
HSBC UK Bank Plc (RFB)	AA-	F1+	a	1	A1	P-1	-	A	A-1	O - 12 mths
Lloyds Bank Plc (RFB)	A+	F1	a	5	Baa2	P-2	-	BBB+	A-2	O - 12 mths
Santander UK PLC	A+	F1	a	2	A1	P-1		A	A-1	O - 12 mths
Standard Chartered Bank	A+	F1	a	5	A1	P-1		A	A-1	R - 6 mths
Sumitomo Mitsui Banking Corporation Europe Ltd	A	F1		1	Aa3	P-1		A+	A-1	R - 6 mths
UBS Ltd.	AA-	F1+		1	A2	P-1				O - 12 mths
Coventry Building Society	A	F1	a	5	A3	P-2				R - 6 mths
Leeds Building Society	A-	F1	a-	5	Aa3	P-1	-	A	A-1	G - 100 days
Nationwide Building Society	A	F1	a	5	Baa1	P-2	-			R - 6 mths
Skipton Building Society	A-	F1	a-	5	Ba3	NP				G - 100 days
Yorkshire Building Society	A-	F1	a-	5	A1	P-1		A-	A-2	G - 100 days
National Westminster Bank PLC (RFB)	A+	F1	a	5	A1	P-1		A-	A-2	B - 12 mths
The Royal Bank of Scotland Plc (RFB)	A+	F1	a	5						B - 12 mths

Weekly Credit List: 01/02/2019

Institution Benchmark: iTraxx Senior Financials Index 88.90 (92.62)

Institution Benchmark: Monitoring Boundary: 100.00

:	**Fitch Ratings**				**Moodys Ratings**			**S & P Ratings**		
Organisation	Long Term	Short Term	Viability	Support	Long Term	Short Term	FSR	Long Term	Short Term	Suggested Duration (CDS Adjusted with manual override)
Foreign Banks										
United States	AAA				Aaa		-	AA+		
Bank of America N.A.	AA-	F1+	a+	5	Aa3	P-1	-	A+	A-1	O - 12 mths
Bank of New York Mellon, The	AA	F1+	aa-	5	Aa1	P-1	-	AA-	A-1+	P - 24 mths
Citibank N.A.	A+	F1	a	5	A1	P-1	-	A+	A-1	O - 12 mths
JPMorgan Chase Bank N.A.	AA	F1+	aa-	5	Aa1	P-1	-	A+	A-1	O - 12 mths
Wells Fargo Bank, NA	AA-	F1+	a+	5	Aa1	P-1	-	A+	A-1	O - 12 mths
Australia	AAA				Aaa			AAA		
Australia and New Zealand Banking Group Ltd.	AA-	F1+	aa-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Commonwealth Bank of Australia	AA-	F1+	aa-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Macquarie Bank Ltd.	A	F1	a	3	A2	P-1	-	A	A-1	R - 6 mths
National Australia Bank Ltd.	AA-	F1+	aa-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Westpac Banking Corp.	AA-	F1+	aa-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Belgium	AA-				Aa3			AA		
BNP Paribas Fortis	A+	F1	a	1	A1	P-1	-	A	A-1	R - 6 mths
KBC Bank N.V.	A+	F1	a	5	Aa3	P-1	-	A+	A-1	O - 12 mths
Canada	AAA				Aaa			AAA		
Bank of Montreal	AA-	F1+	aa-	2	Aa2	P-1	-	A+	A-1	O - 12 mths
Bank of Nova Scotia	AA-	F1+	aa-	2	Aa2	P-1	-	A+	A-1	O - 12 mths
Canadian Imperial Bank of Commerce	AA-	F1+	aa-	2	Aa2	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	Aa2	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 A/S	A	F1	a	5	A2	P-1	-	A	A-1	R - 6 mths
Finland	AA+				Aa1			AA+		
Nordea Bank Abp	AA-	F1+	aa-	5	Aa3	P-1	-	AA-	A-1+	O - 12 mths
France	AA				Aa2			AA		
BNP Paribas	A+	F1	a+	5	Aa3	P-1	-	A	A-1	O - 12 mths
Credit Agricole Corporate and Investment Bank	A+	F1	WD	WD	A1	P-1	-	A+	A-1	O - 12 mths
Credit Agricole S.A.	A+	F1	a+	5	A1	P-1	-	A+	A-1	O - 12 mths
Credit Industriel et Commercial	A+	F1	a+	5	Aa3	P-1	-	A	A-1	R - 6 mths
Societe Generale	A	F1	a	5	A1	P-1	-	A	A-1	R - 6 mths
Germany	AAA				Aaa			AAA		
Bayerische Landesbank	A-	F1	bbb+	1	Aa3	P-1	-	NR	NR	R - 6 mths
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	AA-	F1+		WD	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Landesbank Baden-Wuerttemberg	A-	F1	bbb+	1	Aa3	P-1	-	NR	NR	R - 6 mths
Landesbank Berlin AG					Aa2	P-1	-			O - 12 mths
Landesbank Hessen-Thueringen Girozentrale	A+	F1+		WD	Aa3	P-1	-	A	A-1	O - 12 mths
Landwirtschaftliche Rentenbank	AAA	F1+		1	Aaa	P-1	-	AAA	A-1+	P - 24 mths
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 N.V.	AA+	F1+		1	Aaa	P-1	-	AAA	A-1+	P - 24 mths
Cooperatieve Rabobank U.A.	AA-	F1+	a+	5	Aa3	P-1	-	A+	A-1	O - 12 mths
ING Bank N.V.	A+	F1	a+	5	Aa3	P-1	-	A+	A-1	O - 12 mths
Nederlandse Waterschapsbank N.V.					Aaa	P-1	-	AAA	A-1+	P - 24 mths
Qatar	AA-				Aa3			AA-		
Qatar National Bank	A+	F1	bbb+	1	Aa3	P-1	-	A	A-1	R - 6 mths
Singapore	AAA				Aaa			AAA		
DBS Bank Ltd.	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Oversea-Chinese Banking Corp. Ltd.	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
United Overseas Bank Ltd.	AA-	F1+	aa-	1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Sweden	AAA				Aaa			AAA		
Skandinaviska Enskilda Banken AB	AA-	F1+	aa-	5	Aa2	P-1	-	A+	A-1	O - 12 mths
Svenska Handelsbanken AB	AA	F1+	aa	5	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Swedbank AB	AA-	F1+	aa-	5	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	R - 6 mths
UBS AG	AA-	F1+	a+	5	Aa2	P-1	-	A+	A-1	O - 12 mths
United Arab Emirates	AA				Aa2			AA		
First Abu Dhabi Bank PJSC	AA-	F1+	a-	1	Aa3	P-1	-	AA-	A-1+	O - 12 mths

APPENDIX B

Bedfordshire and Fire and Rescue Service

Fire and Rescue Service

<u>TREASURY MANAGEMENT PRACTICES</u>

2019/20

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

1. Credit and Counterparty Risk Management

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

1.1. Policy on the Use of Credit Risk Analysis Techniques

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

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

* Moodys Financial Strength Rating

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

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

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

6. This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including:
    - The quality financial press
    - Market data
    - Information on government support for banks and
    - The credit ratings of Banks/Building Societies that government support

7. Maximum maturity periods and amounts to be placed in different types of investment instrument are as follows:
    - UK and Foreign Banks with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.
    - UK Building Societies with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.

8. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:
    - Maximum amount to be placed with any one institution - £5m.
    - Group limits where a number of institutions are under one ownership – maximum of £7m.
    - Link limits.

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

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

10. Full individual listings of counterparties and counterparty limits as at 29 January 2019 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 Treasurer.
- There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

3. **Interest Rate Risk Management**

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

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

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

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

- Authorised limit for external debt
- Operational boundary for external debt
- Upper limit on fixed interest rate exposures
- Upper limit on variable interest rate exposures
- Upper and lower limits for the maturity structure of borrowing
- Total principal sums invested for periods over 365 days

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

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

4. **Exchange Rate Risk Management**

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

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

5. **Refinancing Risk Management**

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

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

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

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

a. the generation of cash savings at minimum risk;

b. to reduce the average interest rate;

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

The maturity profile of the Authority's debt will be reviewed regularly in association with the Authority's Treasury Management Advisers where necessary. Such reviews will seek to determine whether or not market conditions are suitable for refinancing any of the Authority's debt to allow more advantageous borrowing terms. The revenue consequences of refinancing will be evaluated prior to the transaction being completed. The effect on the maturity profile prudential indicator will be analysed to ensure that any changes to the profile are within limits. Any rescheduling would only be undertaken after consultations between the 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 2018/19 budget and continues to do so in the 2019/20 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 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017
- CIPFA Treasury Management in the Public Services Guidance Notes 2018
- CIPFA statement 17.10.18 on borrowing in advance of need and investments in commercial properties
- CIPFA Bulletin 02 Treasury and Capital Management Update October 2018
- Statutory investment guidance where it has been updated in 2018
- Statutory MRP guidance where it has been updated in 2018
- 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 (Revised 2018)
- 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 Treasurer, with the CA (Chief Accountant) who is the deputy S151 Officer; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to make a report to the Authority if he has concerns as to the financial prudence of its actions or its expected financial position.

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

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

The Authority will, therefore:

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

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

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

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

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

7.1.1 **Authority**

The Scheme of Delegation to Officers is that overall responsibility for Treasury Management is delegated to the 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 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 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 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. <u>Market Risk Management</u>

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

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

TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

These are sterling investments that do not exceed 365 days and are with:

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

Strategy for specified Investments:

The Authority expects to have a net surplus of funds throughout 2019/20 and will invest those funds through the money market with those organisations included on its approved lending list (attached as Annex A).

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

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

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

Investments will be made for terms of up to 365 days. The Authority will consider its cash flow requirements, prevailing market conditions and advice from its Treasury Advisers when determining exact terms for each investment, in order to ensure that it is both favourable and prudent. At the time of writing, interest rates are at a low point.

Non-Specified Investments:

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

The Authority has no investments other than the short-term investment of surplus cash through the money market. Under previous regulations the investment of surplus cash was restricted to periods not exceeding 365 days. Under the new regulations that restriction is removed, however investments that do exceed 365 days are classified as non-specified investments because of the greater degree of risk they carry.

The Authority is investigating the use of Property Funds to supplement their investment portfolio and these would be in excess of 365 days. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The Authority will seek guidance on the status of any fund it may consider using.

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: (as at 21/01/2019)**

AAA

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

- Switzerland
- U.S.A

AA+

- Finland
- Hong Kong

AA

- United Arab Emirates
- France
- U.K.

AA-

- Belgium
- Qatar

Term deposits with nationalised banks and banks and building societies

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

The Authority is investigating the use of Property Funds to supplement their investment portfolio and these would be in excess of 365 days. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The Authority will seek guidance on the status of any fund it may consider using.

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

This will include:

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

3. Reviews with Our Treasury Management Consultants

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

4. Annual Review after the End of the Financial Year

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

a. total debt and investments at the beginning and close of the financial year and average interest rates,

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

5. **Comparative Reviews**

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

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

6. **Benchmarks and Calculation Methodology**

6.1 **Debt Management**

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

6.2 **Investment**

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

7 day LIBID uncompounded

7. **Consultants'/Advisers' Services**

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

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

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

TMP 3 DECISION-MAKING AND ANALYSIS

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

1.1 Records to Be Kept

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

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

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

1.2 Processes to Be Pursued

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

1.3 Issues to Be Addressed

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

a. above all be clear about the nature and extent of the risks to which the Authority may become exposed;

b. be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;

c. be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good housekeeping;

d. ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded;

e. be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

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

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

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

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

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

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

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

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

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

1. Approved Activities of the Treasury Management Operation

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

2. Approved Instruments for Investments

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

3. Approved Techniques

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

4. Approved Methods and Sources of Raising Capital Finance

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

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

Other Methods of Financing
Government and EC Capital Grants
Operating leases

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

5. Investment Limits

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

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

6. Borrowing Limits

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

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

1. Allocation of Responsibilities

1.1 Corporate Services Policy and Challenge Group

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

1.2 Fire and Rescue Authority

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

1.3 Treasurer

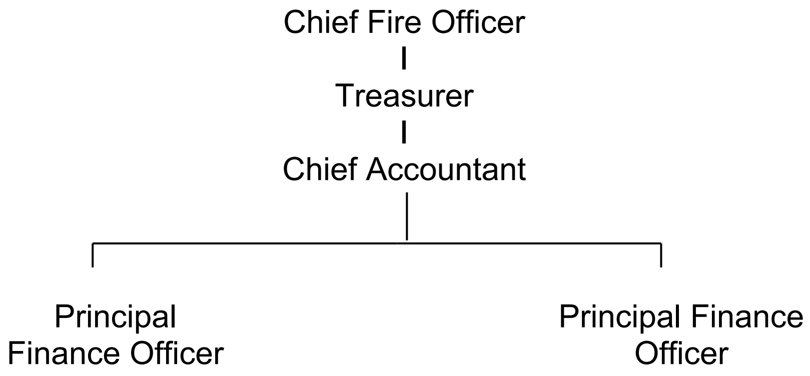
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

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**



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

4.1 **The Responsible Officer (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 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 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 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 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 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 Treasurer will keep abreast of money laundering issues through publications and internet. The 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 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 Treasurer.

2.16 Procedures for Establishing Identity/Authenticity of Lenders

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

The Authority does not accept loans from individuals.

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

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

2.17 Methodologies for Identifying Deposit Takers

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

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

TMP 10 TRAINING AND QUALIFICATIONS

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

a. Treasury management staff employed by the Authority,

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

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

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

1. Details of Approved Training Courses

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

2. Records of Training Received by Treasury Staff

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

3. Approved Qualifications for Treasury Staff

Chief Financial Officer

Title: 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 Treasurer every 6 months to check whether performance has met expectations.

Name and address of supplier of service is:

Link Asset Services (formerly Capita)

6th Floor
65 Gresham Street
London
EC2V 7NQ
Tel: 0871 664 6800

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

b. Contract commenced 1 June 2018 and runs for three years to 31 May 2021.

c. Cost of service is £6,000 + VAT (increasing by 2.1% each year).

d. Payments due on 30 June 2018, 30 June 2019 and 30 June 2020.

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

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
27 February 2019
Item No. 12

REPORT AUTHOR:	**HEAD OF SERVICE DEVELOPMENT AND ASSURANCE**
SUBJECT:	**CORPORATE SERVICES RISK REGISTER**

For further information on this Report contact:	Strategic Operational Commander Andy Peckham Head of Service Development and Assurance Tel No: 01234 845129

Background Papers: None

Implications (tick ✓):

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

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

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

RECOMMENDATION:

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

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1. Introduction

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

1.2 An extract of the Corporate Risk Register showing the risks appropriate to the Corporate Services Policy and Challenge Group together with explanatory notes regarding the risk ratings applied is appended to this report.

2. Current Revisions

2.1 The register is reviewed on a monthly basis during the Service's Corporate Management Team (CMT) meetings and by CMT members between these meetings if required. A copy of the risks relevant to the Corporate Services Policy and Challenge Group are below for your information and approval.

2.2 Changes to individual risk ratings in the Corporate Risk Register:

There are no changes to the Corporate Risk Register individual risk ratings

2.3 Updates to individual risks in the Corporate Risk Register:

CRR00004: If there is a large number of staff absent from the workplace then our ability to deliver services to our communities is severely compromised and our reputation will be adversely affected.

A specific action within the CRR00004 treatment relates to the risk from Ebola. According to NHS, the Ebola outbreak within Africa was officially declared over in June 2016 and the risk of an Ebola outbreak occurring in the UK remains negligible. With this known, the specific risk action has been resolved. The Risk Register still monitors pandemic illness within the risk. On review by HSDA, the recommendation is that the overall risk rating remains unchanged.

CRR00027: If we receive a lower than predicted budget settlement from government and reduced funding from our Local Unitary Authorities, and/or we have an adverse response from our Council Tax Precept increase consultation processes, then our ability to deliver a full range of services and revenue/capital plans could be significantly affected. Potential key financial pressures for 2019/20 onwards could be from the Firefighters pay award, the employer FF pension contributions, the funding formula review, the Comprehensive Spending Review and Business Rates retention. The 2019/20 financial is the last year of the four year fixed funding agreement.

The 2019/20 Budget and Council tax were set by the FRA on 7 February 2019. This also included the approval of a Reserves Strategy and Medium Term Financial Strategy. The budget is balanced into the medium term and there is now a revised strategy in place to utilise some general and earmarked reserves for transformational investment as well as for budget purposes. The next financial year is likely to see the largest revision to local government finance in decades, with the Spending Review, Business Rates Retention and Formula Funding revision. Therefore 2020/21 will be a key year in resetting our budget planning.

CRR00043: If the Service suffers a terrorist attack then there is the potential for elements of service delivery infrastructure 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 public confidence in the Service could be adversely affected.

The term "critical national infrastructure" has been replaced within the risk title; this previously referred to our mobilising provision, which has subsequently been reclassified. However it remains a risk to the organisation's delivery of emergency service. To enable the Service to maintain an effective response for the community to a terrorist attack, there is work on place currently to compliment the provision of specialist response team members within existing arrangements, which continues to be supported through a multi-agency regional approach for training and exercising, providing national and local assurance. It is proposed by HSDA that these developments do not change the overall risk rating.

CRR00047: There is a risk that the outcomes of the "Brexit" (Britain's withdrawal from Europe) negotiations could impact on the delivery of services through a breakdown in community cohesion, the ability to provide effective assurance to potential loss, and the uncertainty on procurement of goods and equipment.

Bedfordshire Local Resilience Forum (BLRF) has been preparing for a Brexit outcome since late summer 2018, with a focus on a "no deal" scenario. In January 2019, BLRF established a Strategic Coordinating Group (SCG) and has activated its Command and Control Plan for Brexit. SCG and Tactical Coordinating Group (TCG) meetings will be set up, commencing 7 January 2019, hosted by BFRS and involving all stakeholders. Details relating to these meetings will be hosted on Resilience Direct.

STRATEGIC OPERATIONAL COMMANDER ANDY PECKHAM
HEAD OF SERVICE DEVELOPMENT AND ASSURANCE

Explanatory tables in regard to the risk impact scores, the risk rating and the risk strategy.

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	Description
Treat	Implement and monitor the effectiveness of new controls to reduce the risk rating. This may involve significant resource to achieve (IT infrastructure for data replication/storage, cross-training of specialist staff, providing standby-premises etc) or may comprise a number of low cost, or cost neutral, mitigating measures which cumulatively reduce the risk rating (a validated Business Continuity plan, documented and regularly rehearsed building evacuation procedures etc)
Tolerate	A risk may be acceptable without any further action being taken depending on the risk appetite of the organisation. Also, while there may clearly be additional new controls which could be implemented to 'treat' a risk, if the cost of treating the risk is greater than the anticipated impact and loss should the risk occur, then it may be decided to tolerate the risk maintaining existing risk controls only
Transfer	It may be possible to transfer the risk to a third party (conventional insurance or service provision (outsourcing)), however it is not possible to transfer the responsibility for the risk which remains with BLFRS
Terminate	In some circumstances it may be appropriate or possible to terminate or remove the risk altogether by changing policy, process, procedure or function

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For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
27 February 2019
Item No. 13

REPORT AUTHOR: **T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES**

SUBJECT: **REVIEW OF WORK PROGRAMME 2018/19**

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

Background Papers: None

Implications (tick ✓):

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

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

PURPOSE:

To review and report on the work programme for 2018/19 and to provide Members with an opportunity to request additional reports for the Corporate Services Policy and Challenge Group meetings for 2019/20.

RECOMMENDATION:

That Members review the work programme for 2018/19 and note the 'cyclical' Agenda Items for each meeting in 2019/20.

GAVIN CHAMBERS
T/ASSISTANT CHIEF OFFICER – FINANCE AND CORPORATE SERVICES

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

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
27 Feb 2019	• Minutes of Shared Service IT Governing Body *(under Communications)* • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2018/19 – Q3 • Corporate Services Programmes to date 2018/19 – Q3 • Proposed Corporate Services Indicators and Targets 2019/20 • Treasury Management Strategy and Practices • Corporate Risk Register • Asset Management Strategy (reviewed every 3 years, next review 2021/22) • Review of Work Programme 2018/19 • Revenue Budget and Capital Monitoring Programme Monitoring 2018/19 as at 31 December 2018*	*As the CSPCG is in February this year rather than March moved from Feb FRA to Feb CSPCG as per HFT	~~Update on Brexit preparation~~	Requested by CSPCG of 27.11.18: provided to the FRA on 07.02.19

CORPORATE SERVICES POLICY AND CHALLENGE GROUP (CSPCG) PROGRAMME OF WORK 2019/20

Meeting Date	'Cyclical' Agenda Items		Additional / Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
25 June 2019	• Election of Vice Chair • Terms of Reference • Minutes of Shared Service IT Governing Body *(under Communications)* • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2018/19 – Q4 • Corporate Services Programmes to date 2018/19 – Q4 • Treasury Management Annual Report 2018/19 • Asset Management Plans – ICT and Fleet • Corporate Risk Register • Work Programme 2019/20			

Meeting Date	'Cyclical' Agenda Items		Additional/Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
xx September 2019	• Minutes of Shared Service IT Governing Body *(under Communications)* • Revenue Budget and Capital Programme Monitoring 2019/20 • 2020/21 Revenue Budget and Capital Programme (Planning Arrangements) • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2019/20 – Q1 • Corporate Services Programmes to date 2019/20 – Q1 • Annual Review of the Operation of ICT Shared Service Agreement • Asset Management Plans - Property • Corporate Risk Register • Work Programme 2019/20			

Meeting Date	**'Cyclical' Agenda Items**		**Additional / Commissioned Agenda Items**	
	Item	**Notes**	**Item**	**Notes**
xx November 2019	• Minutes of Shared Service IT Governing Body *(under Communications)* • Revenue Budget and Capital Programme Monitoring 2019/20 • New Internal Audit Reports Completed to date • Audit and Governance Action Plan Monitoring Report • Corporate Services Performance 2019/20 – Q2 • Corporate Services Programmes to date – Q2 • Treasury Management Mid Year Review Report • Review of Corporate Services Policy and Challenge Group Effectiveness • Corporate Risk Register • Work Programme 2019/20			

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