Public Document Pack

To: All Members of the Audit Sub-Committee
(and any other Members who may wish to attend)

The Protocol and Procedure for visitors attending meetings of Merseyside Fire and Rescue Authority can be found by clicking **here** or on the Authority's website: http://www.merseyfire.gov.uk - About Us > Fire Authority.

J. Henshaw
LLB (Hons)
Clerk to the Authority

Tel: 0151 296 4000
Extn: 4113 Kelly Kellaway

Your ref: Our ref HP/DM Date: 20 January 2016

Dear Sir/Madam,

You are invited to attend a meeting of the **AUDIT SUB-COMMITTEE** to be held at **1.00 pm** on **THURSDAY, 28TH JANUARY, 2016** in the Liverpool Suite at Merseyside Fire and Rescue Service Headquarters, Bridle Road, Bootle.

Yours faithfully,

K Kellaway PP.

Clerk to the Authority

Encl.

This page is intentionally left blank

MERSEYSIDE FIRE AND RESCUE AUTHORITY

AUDIT SUB-COMMITTEE

28 JANUARY 2016

AGENDA

Members

Denise Roberts (Chair)
Mike Kearns
James Roberts
Paul Tweed
Lesley Rennie

1. Preliminary Matters

Members are requested to consider the identification of:

a) declarations of interest by individual Members in relation to any item of business on the Agenda

b) any additional items of business which the Chair has determined should be considered as matters of urgency; and

c) items of business which may require the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information:

2. Minutes of Previous Meeting (Pages 5 - 6)

The minutes of the previous meeting held on the 21st July 2015 are submitted as a correct record and signature by the Chair.

3. External Audit Update Report (Pages 7 - 22)

To consider a report from the Authority's External Auditors – Grant Thornton, concerning progress in delivering their responsibilities as External Auditor for the Authority.

This report will be presented by a representative of Grant Thornton.

4. **INTERNAL AUDIT PROGRESS REPORT – APRIL TO NOVEMBER** (Pages 23 - 30)

To consider report CFO/010/16 of the Treasurer concerning work of the Internal Audit for the period April to November 2015.

5. **treasury management interim report 2015/16** (Pages 31 - 38)

To consider report CFO/003/16 of the Treasurer outlining the Treasury Management activities and performance for April to November for the financial year 2015/16, in accordance with the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance in Local Authorities.

6. **CORPORATE RISK REGISTER UPDATE JULY - OCT 2015** (Pages 39 - 60)

To consider report CFO/005/16 of the Deputy Chief Fire Officer, concerning the current risks contained within the Corporate Risk Register, the status of the risks and associated control measures, including reference to any new risks added to the Register or any risks that no longer apply and can be removed.

If any Members have queries, comments or require additional information relating to any item on the agenda please contact Committee Services and we will endeavour to provide the information you require for the meeting. Of course this does not affect the right of any Member to raise questions in the meeting itself but it may assist Members in their consideration of an item if additional information is available.

Refreshments

Any Members attending on Authority business straight from work or for long periods of time, and require a sandwich, please contact Democratic Services, prior to your arrival, for arrangements to be made.

MERSEYSIDE FIRE AND RESCUE AUTHORITY

MEETING OF THE

AUDIT SUB-COMMITTEE

21 JULY 2015

MINUTES

Present: **Cllr Denise Roberts (Chair)** Councillors Mike Kearns, James Roberts and Lesley Rennie

Also Present: Cllr James Roberts arrived late

Apologies of absence were received from: Cllr Paul Tweed

1. Preliminary Matters

Members considered the identification of declarations of interest, any urgent additional items, and any business that may require the exclusion of the press and public.

Resolved that:

a) no declarations of interest were made by individual Members in relation to any item of business on the Agenda

b) no additional items of business to be considered as matters of urgency were determined by the Chair; and

c) no items of business required the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information.

2. Minutes of Previous Meeting

Members considered the minutes of the previous meeting held on 26 May 2015 to be a correct record and were signed accordingly by the Chair.

3. CORPORATE RISK REGISTER UPDATE APRIL - JUNE 2015

(CFO/065/15)

Cllr James Roberts arrived at the start of this item.

Members considered report CFO/065/15 of the Deputy Chief Fire Officer concerning the current risks contained within the Corporate Risk Register, the status of the risks and associated control measures.

In particular the committee considered the following Risks:

1.1 - Insufficient staff to maintain current levels of operational planning, training and management of intelligence
1.3 - Insufficient firefighters to maintain current levels of response and current number of fire appliances
4.6 - Increased flood risk
4.7 - Extreme weather
6.6 - Restrictions on storing sensitive information on the MFRA network.

And the steps being taken to mitigate these risks.

Members asked whether a recent incident in Cheshire, to which MFRA's Urban Search and Rescue (USAR) team was deployed, presented additional risk to the Authority and requested a report be brought to Members concerning any implications to the Authority arising from this particular incident. Members were advised that there are cross-border agreements in place and that when MFRA's USAR team are deployed then USAR team members providing retained cover are recalled to maintain cover in Merseyside.

Resolved that:

1) The updated Corporate Risk Register be approved; and

2) A report concerning the implications to MFRA of attendance at the incident in Cheshire be submitted to the Authority in due course.

Close

Date of next meeting Thursday, 28 January 2016

Signed:_____ Date:_____

Audit Committee Update for Merseyside Fire & Rescue Authority

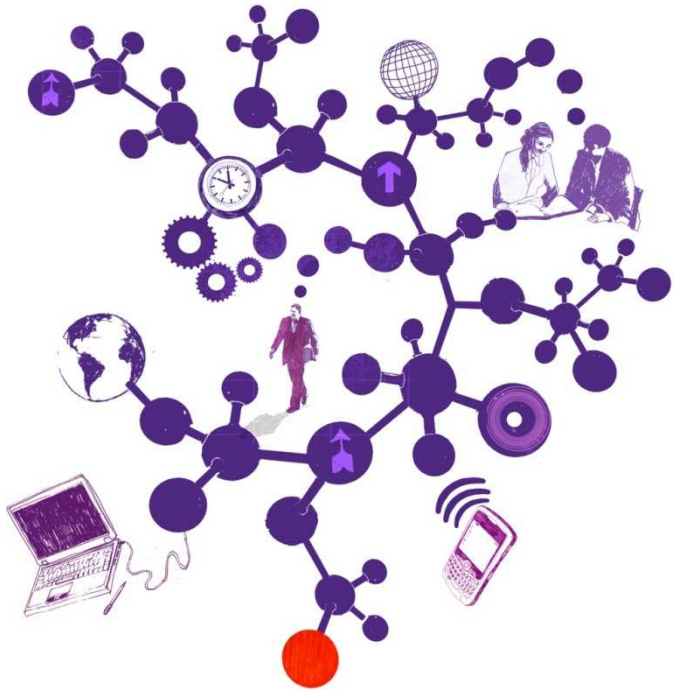
Year ended 31 March 2016

January 2016

Mike Thomas
Engagement lead
T 0161 214 6368
E mike.thomas@uk.gt.com

Paul Basnett
Engagement Manager
T 0161 214 6398
E paul.s.basnett@uk.gt.com

John Padfield
Executive
T 0161 214 6378
E john.padfield@uk.gt.com



Contents

Section	Page
Introduction	3
Progress to date	4
Other information	6

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

© 2015 Grant Thornton UK LLP

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (http://www.grant-thornton.co.uk/en/Services/Public-Sector/). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England
- Making devolution work: A practical guide for local leaders

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

© 2015 Grant Thornton UK LLP

Progress to date

Work	Planned date	Complete?	Comments
2015/16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Authority setting out our proposed approach in order to give an opinion on the Authority's 2015/16 financial statements.	April 2016	In progress	We continue to assess the risks facing your Authority and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate. If there are any changes to our plan between our initial risk assessment and the delivery of your opinion we will discuss this with the Treasurer before presenting to the Audit Committee.
Interim accounts audit Our interim fieldwork visits include: • updating our review of the Authority's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion.	January to March 2016	In progress	We will: • engage with the finance team to streamline and improve the audit approach for 2015/16 where possible • discuss any technical issues arising from the impact of the pension commutation guidance • undertake as much early testing as possible. We will continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud.
2015/16 final accounts audit Including: • audit of the 2015/16 financial statements • proposed opinion on the Authority's accounts • proposed Value for Money conclusion.	June – September 2016	Not started	We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. Our discussions with the finance team have agreed that we will aim to deliver this work ahead of the national timetable in preparation for the shorter deadlines in 2016/17.

© 2015 Grant Thornton UK LLP

Progress to date (continued)

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2015/16 VfM conclusion requires conclusions on whether: "*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*" The sub-criteria we will use to consider this conclusion are: • Informed decision making • Sustainable resource deployment • Working with partners and other third parties.	January – July 2016	In progress	We will undertake work on the VFM risks identified, including attending meetings with key Officers. We will provide our conclusion on your arrangements to provide economy, efficiency and effectiveness by the statutory deadline. Our discussions with the finance team have agreed that we will aim to deliver this work ahead of the national timetable in preparation for the shorter deadlines in 2016/17. The Authority is preparing itself for challenges financially in future years. We will also review the partnership working as this is a key theme within all areas of the assessment.
Annual Audit Letter A summary of all work completed as part of the 2015/16 audit.	October 2016	Not started	We will summarise our findings from the 2015/16 audit and report to the November 2016 Audit Committee.
Engagement with the Authority since the last Committee meeting	N/A	N/A	• Meetings with Finance Officers to discuss key risks facing the Authority to inform the 2015/16 planning including the impact of the CSR.

© 2015 Grant Thornton UK LLP

Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

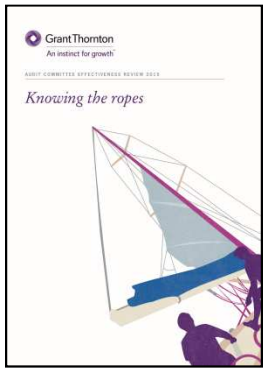
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at http://www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/

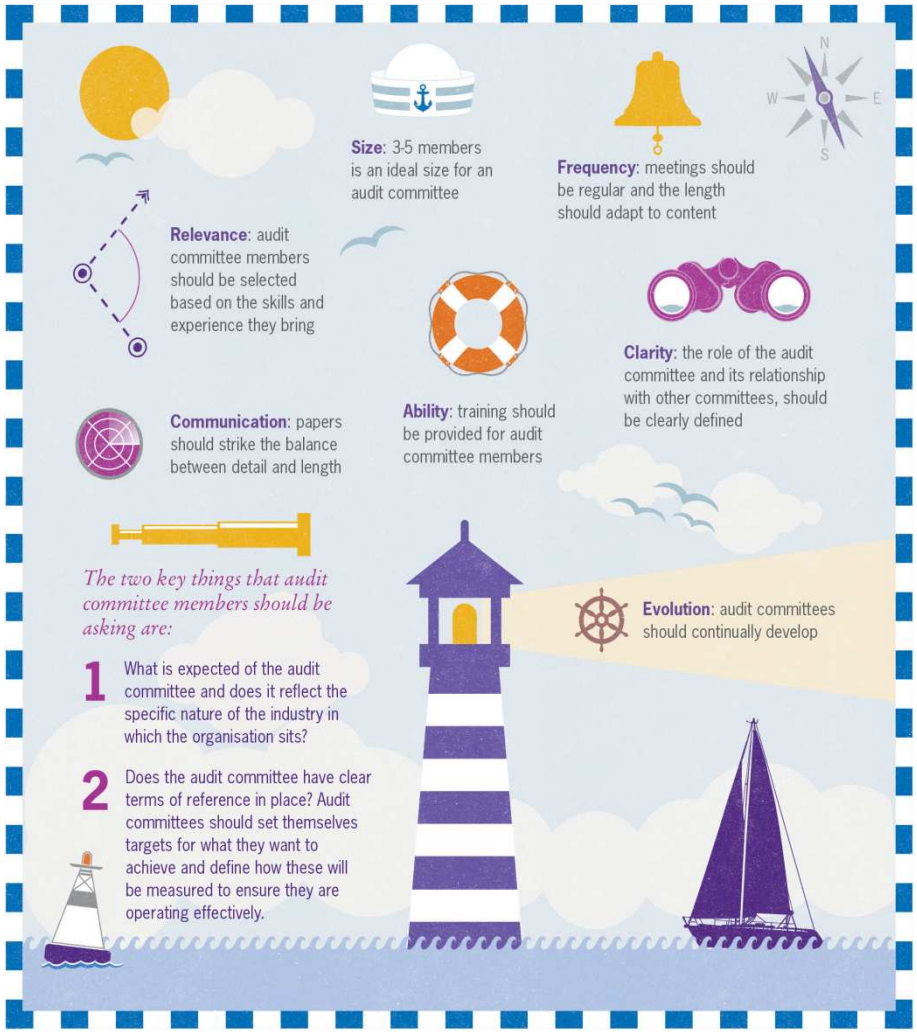
The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.





© 2015 Grant Thornton UK LLP

Supporting members in governance

Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager



© 2015 Grant Thornton UK LLP

Making devolution work: A practical guide for local leaders

Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

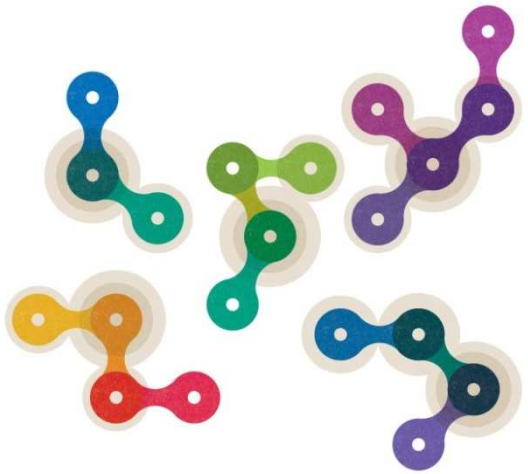
The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:
http://www.grantthornton.co.uk/en/insights/making-devolution-work/



© 2015 Grant Thornton UK LLP

Next Government Spending Review Commissioned

Local government issues

On Wednesday 22 July 2015 the Chancellor of the Exchequer formally commissioned 'Spending Review 2015' which will make an initial allocation of what the government spends in the years from 2016/17 to 2020/21.

A copy of the launch document *A country which lives within its means* can be found *at:* A Country that lives within its means

The document stresses the priority that the government attaches to growth and productivity including the local growth fund and the Northern Powerhouse. It reaffirms the commitment to radical devolution in England through further deals and integration of public services and confirms that departments will be asked to set out their contribution to the public sector land programme as part of their Spending Review bids in order to realise the government's housing ambitions.

You will also see from the document that HM Treasury has invited government departments to set out plans for reductions to their Resource budgets. In line with the approach taken in 2010, HM Treasury is asking departments to model two scenarios, of 25% and 40% savings in real terms, by 2019/20.

In addition representative bodies, interest groups and individuals were invited to submit written representations to HM Treasury by 4 September 2015.

The Department for Communities and Local Government (DCLG) has announced the provisional Local Government Finance Settlement for 2016-2017. It has also issued indicative figures up to 2019-2020. The announcement is a four-year settlement. However the figures for 2017-2018 and beyond are part of an offer to any authority that wishes to take it up. In order to take up the offer an authority will be required to publish an efficiency plan.

The consultation closing date for responses to DCLG is 15 January 2016. The final settlement will be published in February 2015.

© 2015 Grant Thornton UK LLP

Enabling closer working between the Emergency Services Consultation

Local government issues

In its election manifesto the Government committed to enabling fire and police services to work more closely together and to develop the role of elected and accountable Police and Crime Commissioners. The Department for Communities and Local Government, in partnership with the Home Office and Department for Health have been working on proposals to support the commitment which seeks to drive a greater level of joint working between the emergency services, and deliver more effective and efficient services for communities.

A joint consultation paper containing the proposals was published on 11 September 2015. *Enabling Closer working between the Emergency Services* consultation paper is seeking views on proposals to drive greater collaboration between the emergency services and to enable closer working between police and fire and rescue services.

It also set out the proposals as follows:

- introducing a new duty on all three emergency services to actively consider collaboration opportunities with one another to improve efficiency and effectiveness;
- enabling Police and Crime Commissioners to take on the duties and responsibilities of fire and rescue authorities , where a local case is made;
- where a Police and Crime Commissioner takes on the responsibilities of a Fire and Rescue Authority, enabling him or her to create a single employer for police and fire staff, facilitating the sharing of back office functions and streamlining management;
- in areas where a Police and Crime Commissioner has not become responsible for fire and rescue services, enabling them to have representation on their local Fire and Rescue Authority; and
- abolishing the London Fire and Emergency Planning Authority and giving the Mayor of London direct responsibility for the fire and rescue service in London, as will be the case in Greater Manchester.

The aim of the proposals is to deliver real change and improvement in the accountability and service delivery across the emergency services. The proposals and eventual legislation will affect England only.

Challenge question

Did the Authority respond to the consultation?

Are members aware of how closer working is supporting the strategic direction of the Authority?

© 2015 Grant Thornton UK LLP

Code of Audit Practice

National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

© 2015 Grant Thornton UK LLP

National Audit Office Report

National Audit Office

On 5 November 2015 the National Audit Office published their report on the *'Financial sustainability of fire and rescue services'* and their companion report, *'Impact of funding reductions on fire and rescue services'*.

Background
The National Audit Office have examined whether the Department for Communities and Local Government understands the impact of funding reductions on the financial and service sustainability of fire and rescue services.

The report and accompanying documents can be found here: https://www.nao.org.uk/report/financial-sustainability-of-fire-and-rescue-services/

© 2015 Grant Thornton UK LLP

Fire Statistics April 2014 to March 2015 published

Fire Sector issues

The latest National Statistics, Fire Statistics Monitor April 2014 to March 2015 were published on the GOV.uk website on 20 August 2015. These cover annual headline statistics on fire fatalities, non-fatal casualties and incidents attended by fire and rescue services in England.

The latest Fire and Rescue Operational Statistics, England, April 2014 to March 2015 was published on the GOV.uk website on 24 September 2015. It includes English Fire and Rescue Authorities' personnel statistics, numbers of injuries to firefighters, statistics relating to community fire safety activity and fire safety audits of buildings.

The full publication and supplementary tables can be found at: Fire Statistics and Operational Statistics. Highlights from the statistics nationally are:

- The 2014/15 data show a continuation of the long term decreasing trend in the number of fatalities, casualties and incidents attended by fire and rescue services down 6% and the lowest annual figure recorded to date.
- There were 3,235 non-fatal fire hospital casualties in England in 2014/15, 6% lower than in 2013/14 and 55 per cent lower than in 2004/05.
- Fire and rescue services attended a total of 154,700 fires in England in 2014/15, the second lowest number on record.
- Fire and rescue services attended 125,000 non-fire incidents in 2014/15, down 5% from 2013/14. The largest categories of non-fire incidents were road traffic collisions (25%) and attending medical incidents (13%).
- There were 44,000 full-time equivalent Fire and Rescue Authority staff in England as at 31 March 2015. This was 3.6 per cent lower than one year earlier, and 12.6 per cent lower than ten years earlier.
- Total firefighter strength (full time equivalent for whole-time, and 24 hour units of cover for retained duty system) decreased by 3.2 per cent compared to one year ago, and by 14.7 per cent compared to ten years ago.
- There were 2,627 injuries sustained by firefighters (during training, operational incidents and routine activities). This was 16.5 per cent and 52.7 per cent lower than one year and ten years earlier respectively, and continues the downward trend seen over the past decade. There were no firefighter fatalities during 2014/15.

© 2015 Grant Thornton UK LLP

Director for Fire, Resilience and Emergencies and DCLG

Fire Sector issues

On 9 September 2015, Neil O'Connor announced that he would be leaving his role as Director for Fire, Resilience and Emergencies to join Louise Casey's team which has been asked by the Prime Minister to review how to boost opportunity and integration and bring Britain together as one nation.

Sarah Benioff has taken on the role as Director with responsibility for fire, resilience and emergencies alongside her responsibilities for integration and community rights in the Department.

Officials in the directorate are currently working on a programme of visits to fire and rescue authorities for Sarah Benioff to visit over the coming months. Sarah also has a number of introductory meetings planned.

© 2015 Grant Thornton UK LLP

Supporting Public Service Transformation

Public Transformation Network

Background
Many fire and rescue authorities are considering how to transform or redesign their fire prevention and community safety services in a way that improves value for money for the taxpayer and makes best use of the latent capacity of their staff. Increasingly, this involves fire and rescue services supporting and delivering against the objectives of other public service providers, such as local authorities, the police and ambulance service and public and national health organisations, as well as range of voluntary and community based organisations.

Effective evaluation offers important insights into why some approaches are more successful than others and into how to deliver better services within constrained budgets. It provides decision makers – both in fire and rescue authorities and in their partner organisations – with the evidence they need to support new ways of service provision and to make the best possible case for securing the resources needed to deliver them.

The Public Transformation Network champions a 'whole place', multi-agency approach to public service reform. It helps local public sector partners remodel services so they are designed around the needs of people, not the needs of organisations. It has produced an introductory guide to evaluation which community safety practitioners and analysts in fire and rescue services may find helpful.

The guide is complemented by the Network's guidance on Cost Benefit Analysis for Local Partnerships which can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300214/cost_benefit_analysis_guidance_for_local_partnerships.pdf

Information
The Network's evaluation guide sets out some guiding principles and key considerations to help local providers measure the impact of changes to services. It aims to help local providers to ensure the highest quality, credibility and accountability for services that have been redesigned and enable multi-agency partnerships delivering new services to demonstrate value for money and how redesigned services make a real difference to local communities.

The guide can be found at: http://publicservicetransformation.org/images/articles/learning-zone/evaluation-analysis/EvaluationGuideFinalv2.0.pdf

The Network's website also hosts a number of webinars and useful resources on evaluation and other elements of public service reform, such as collaborative leadership and commissioning. Link to the website: www.publicservicetransformation.org

© 2015 Grant Thornton UK LLP



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant.thornton.co.uk

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	**AUDIT SUB-COMMITTEE**		
DATE:	**28 JANUARY 2016**	**REPORT NO:**	**CFO/010/16**
PRESENTING OFFICER	**IAN CUMMINS**		
RESPONSIBLE OFFICER:	**IAN CUMMINS**	**REPORT AUTHOR:**	**IAN CUMMINS**
OFFICERS CONSULTED:	**STRATEGIC MANAGEMENT GROUP**		
TITLE OF REPORT:	**INTERNAL AUDIT PROGRESS REPORT – APRIL TO NOVEMBER**		

APPENDICES:	**APPENDIX A:**	**INTERNAL AUDIT PROGRESS REPORT – APRIL TO NOVEMBER**

Purpose of Report

1. To inform Members of the work of Internal Audit for the period April to November 2015.

Recommendation

2. That Members note the contents of this report.

Introduction and Background

3. Internal Audit – Definition;

   "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

   (Source: Public Sector Internal Audit Standards).

4. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems. (Accounts and Audit Regulations 2015). In order to fulfil these functions the Authority has contracted with Liverpool City Council's Internal Audit Service.

5. The Authority has utilised the services of the City Council's Internal Audit Service since 1986 and agreed to continue with them for at least the next three years (report CFO/114/14 16th December 2014, Authority meeting).

6. Each year Internal Audit submit a plan for their work following consultation with the Treasurer, Strategic Management Group (SMG) and other key officers. This plan is set based upon an assessment of risks, previous findings and the relationship with External Audit work. Members of the Audit Sub-Committee approved the 2015/16 plan at their meeting on 26th May 2015, CFO/039/15.

7. The audit plan is flexible and will be regularly reviewed to ensure it can respond to emerging risks. The original allocation of audit resources is summarised as follows:

Proposed work	**2015-16 Audit days**
Fundamental systems	40
Strategic Reviews / Client directed / Ad hoc reviews	55
Contingency	4
Follow up reviews	5
Audit management	8
Total audit days	**112**

8. In September SMG reassessed the planned strategic review audits and amended the schemes to reflect updated service priorities. The table below outlines the changes:

Proposed work	**Original 2015-16 Audit days**	**Revised 2015-16 Audit days**
Ancillary Fleet & Vehicle Asset Management Plan	15	10
FM Contract Mgt & Performance monitoring process	10	10
New FPS Pension Administration Arrangements	10	0
Strategic Mgt Review / Future workforce planning	10	0
Financial Management System Phase 2	10	0
Property & ICT Asset Management		10
Joint working / Devolution Agenda		5
Consultation / Equalities		5
IT applications		15
Total audit days	**55**	**55**

9. Arrangements have been set in place for monitoring progress against the plan on an ongoing basis and for closely managing any ad hoc work requirements during the year.

10. This progress report covers the period from April to November 2015. The Internal Audit Progress report is attached to this report as Appendix A. In summary most of the planned audit work has yet to be undertaken. Work on the fundamental systems is carried out at the end of the financial year to fit in with the reliance external audit can place on the key financial systems. The timing of the strategic reviews reflects the point in the year when these initiatives will have progressed sufficiently to allow audit to examine what has been achieved to date.

11. Two audits commenced over the period October – December which were the Ethical Governance (fundamental systems) and the Facilities Management Contract Management and Performance Monitoring Process (strategic projects). The main aim of the ethical governance review is to provide the Authority with assurance that there is an appropriate controls framework in place. The Facilities Management review is focussing on the controls in place to ensure that the service provided by the contractor is as specified in the contract and that it is being effectively monitored at the level and standard expected. The fieldwork is in progress and both audits should be completed by the end of January.

12. Members of the Audit Sub-Committee will receive a report after the year-end on actual performance against the audit plan.

Equality and Diversity Implications

13. None contained within this report.

Staff Implications

14. None contained within this report.

Legal Implications

15. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems. (Accounts and Audit Regulations 2015).

Financial Implications & Value for Money

16. The annual cost of the audit is £35,500 and can be contained within the approved budget for audit services.

Risk Management, Health & Safety, and Environmental Implications

17. None contained within this report.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

18. Internal Audit assists in the evaluation and enhancement of sound internal control arrangements that contribute towards ensuring the Authority's mission

and approved policies and plans continue to drive decision making within the service.

BACKGROUND PAPERS

CFO/039/15 "2015/16 Internal Audit Plan" Audit Sub-Committee 26th May 2015

GLOSSARY OF TERMS

REPORT TO:	MFRS – Audit Sub Committee
DATE:	28th January 2016
REPORTING OFFICER:	Melanie Dexter
SUBJECT:	Internal Audit Update Report – 2015/16

1. PURPOSE OF THIS REPORT

1.1 To provide the Audit Sub Committee with an Internal Audit update on the 2015/16 Internal Audit Plan and to inform the committee of Internal Audit's planned approach to the Public Sector Internal Audit Standards (PSIAS) external assessment.

2. EXECUTIVE SUMMARY

2.1 The Annual Audit plan is flexible and it is regularly reviewed to ensure it is in line with emerging risks. This year we have made some minor adjustments in year to the 15/16 planned work.

2.2 Two of the audits are currently at review stage but the remainder of the planned work is scheduled to take place between now and the end of April. We intend to ensure we meet the contracted 112 days for 2015/16. If it is identified that it would be more appropriate for a strategic review to be performed in early 16/17 the days will be carried forward. It will be ensured that over the two year period the total contracted 112 days per year have been fulfilled.

2.3 The PSIAS 'The Standards' came into force on the 1st April 2013 and there is a mandatory requirement that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team. The Head of Internal Audit should make recommendations to the Audit Sub Committee regarding the nature of the assessment. The purpose of this report is to inform the Committee of the planned approach by which the external assessment will be undertaken.

3. AUDIT WORK

3.1 The two audits started in quarter 3 were Ethical Governance and the Facilities Management Contract Management and Performance Monitoring Process. The main aim of the ethical governance review is to provide the authority with assurance that there is an appropriate controls framework in place. The Facilities Management review is focussing on the controls in place to ensure that the service provided by the contractor is as specified in the contract and that it is being effectively monitored at the level and standard expected. The fieldwork is in progress.

3.2 The following amendments have been made to the strategic reviews identified in the 2015-16 audit plan:

Strategic reviews / client directed / ad-hoc reviews

Proposed work	**Original 2015-16 Audit days**	**Revised 2015-16 Audit days**
Ancillary Fleet & Vehicle Asset Management Plan	15	10
FM Contract Mgt & Performance monitoring process	10	10
New FPS Pension Administration Arrangements	10	0
Strategic Mgt Review / Future workforce planning	10	0
Financial Management System Phase 2	10	0
Property & ICT Asset Management		10
Joint working / Devolution Agenda		5
Consultation / Equalities		5
IT applications		15
Total audit days	**55**	**55**

3.3 The following table shows when the majority of the fundamental systems audit reviews are planned for:

Fundamental Systems Audits

Audit	**Estimated start date**
Treasury Management	January
Payroll	February
Budgetary Control	February
General Ledger	February
MTFP	March
Creditors	April
Non-pay expenditure/Procurement	April
Debt Management	April

4. PSIAS EXTERNAL ASSESSMENT

4.1 The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment should be a supportive process that identifies opportunities for development which ultimately helps to enhance the value of the audit function to the Authority.

4.2 The two possible approaches to external assessments outlined in the standard include either a full external assessment or an internal self-assessment which is validated by an external reviewer.

4.3 Members of the core cities group intend to adopt the latter of the two approaches with another member of the core cities group undertaking the validation. There are obvious financial savings to members of the core cities group by adopting the peer review approach. In addition, such an approach is in keeping with the promotion of collaborative working arrangements.

4.4 Prior to the commencement of the assessments taking place all parties will agree the programme of peer reviews and an appropriate timetable, including the number of days required to undertake the reviews. It is envisaged that Liverpool will have their external assessment during the 2016/17 financial year (all reviews must be completed by 2017/18).

4.5 Participating in the peer review process would incur no direct costs. However, there would be a time commitment for Internal Audit Managers to become reviewers or moderators for another authority. It will be for the peer group to ensure that the time burden is evenly spread with each participating authority taking its share.

4.6 The review should conclude with a detailed report providing an opinion on the Internal Audit activity's conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards highlighting any areas of partial conformance or areas which do not conform along with recommendations for improvement, where appropriate. This report will be presented to the Audit Sub Committee and will form part of the Internal Audit team's Quality Assurance and Improvement Programme.

This page is intentionally left blank

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	**AUDIT SUB-COMMITTEE**		
DATE:	**28 JANUARY 2016**	**REPORT NO:**	**CFO/003/16**
PRESENTING OFFICER	**TREASURER**		
RESPONSIBLE OFFICER:	**IAN CUMMINS**	**REPORT AUTHOR:**	**IAN CUMMINS**
OFFICERS CONSULTED:	**STRATEGIC MANAGEMENT GROUP**		
TITLE OF REPORT:	**TREASURY MANAGEMENT INTERIM REPORT 2015/16**		

APPENDICES:	**APPENDIX A:**	**TREASURY MANAGEMENT INTERIM REPORT 2015/16**

Purpose of Report

1. This report ensures that the Authority meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Codes require the Authority to review its Treasury Management activities during the year to ensure they are consistent with its approved Treasury Management Strategy and have remained within the approved Prudential Indicators. This report meets that requirement and outlines the Treasury Management activities and performance for April to November for the financial year 2015/16.

Recommendation

2. That Members note the contents of the report.

Introduction and Background

3. The CIPFA Code of Practice for Treasury Management in Local Authorities has been adopted by the Authority and a Treasury Policy Statement incorporated into Financial Regulations, which are contained within the Authority's Constitution, in accordance with the requirements of the Code. The arrangements for reporting treasury management activities to members are that the Treasurer will present a minimum of three reports: -

   - An Annual Treasury Strategy Report before the start of a financial year.
   - An interim report during the second half of a financial year, (other interim reports will be prepared if necessary).
   - An annual outturn report by 30th September following the financial year to which it relates.

4. The original Treasury Management Strategy Statement 2015/16 was contained within the Budget and Financial Plan report CFO/014/15 approved by the Authority at its meeting on 26th February, 2015. The strategy covered the following areas:

   (a) prospects for interest rates;
   (b) capital borrowing and debt rescheduling;
   (c) annual investment strategy;
   (d) external debt prudential indicators;
   (e) treasury management prudential indicators.
   (f) performance indicators;
   (g) treasury management advisers

5. The Interim Treasury Management Report, attached as Appendix A, constitutes the interim report for 2015/16. In summary the treasury management activity has been carried out in compliance with the relevant Codes and Statutes and within the borrowing and treasury management limits set by the Authority under the prudential code. Performance indicators are consistent with the Authority's approved Treasury Management Strategy.

Equality and Diversity Implications

6. There are no equality and diversity implications in this report.

Staff Implications

7. None directly related to this report.

Legal Implications

8. This report meets the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 paragraph 24 issued under the Local Government Act 2003 and the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

Financial Implications & Value for Money

9. Borrowing and financing costs at £6.111m make up a significant proportion of Authority budgets (approximately 10%). It is vital that this is proactively managed alongside the investment portfolio to minimise risk.

Risk Management, Health & Safety, and Environmental Implications

10. None directly related to this report.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

11. Sound budgetary management and the delivery of services within the approved budget contribute to the core value of providing an excellent and affordable response.

BACKGROUND PAPERS

CFO/014/15 "MFRA Budget and Financial Plan 2015/2016 – 2019/2020" Authority 26th February 2015.

CFO/143/10 "Treasury Policy Statement & Management Practices" Audit & VFM Scrutiny Panel 2nd September 2010.

GLOSSARY OF TERMS

CIPFA The Charted Institute for Public Finance & Accountancy.

This page is intentionally left blank

Appendix A

TREASURY MANAGEMENT INTERIM REPORT 2015/16

INTRODUCTION

1. The CIPFA Code of Practice for Treasury Management in Local Authorities has been adopted by the Authority. The Code requires that Treasury Management activities are subject to reports to Members. This report represents the interim report for 2015/16.

2. The strategy for the year was identified in the Treasury Management Strategy Statement 2015/16 as part of the Budget Proposals 2015/16 submitted to Members in February 2015. The strategy covered the following areas:

   (a) prospects for interest rates;
   (b) capital borrowing and debt rescheduling;
   (c) annual investment strategy;
   (d) external debt prudential indicators;
   (e) treasury management prudential indicators.
   (f) performance indicators;
   (g) treasury management advisers

PROSPECTS FOR INTEREST RATES

3. The Bank of England MPC has continued to vote to hold bank rate at 0.5% although one member has voted for an increase. Inflation is unlikely to rise in the near future as strongly and as quickly as previously expected. There are also major concerns around the slowdown in Chinese growth, the impact of falling oil and commodity prices and the volatility in equity and bond markets. The lack of inflation pressures allied to weaker than expected growth has seen market expectations of a rate hike put no earlier than the middle of 2016.

4. Despite market turbulence since late August causing a sharp downturn in PWLB rates, the overall trend is for longer term rates to rise when economic recovery is firmly established. This upward pressure has been subdued by moderate growth and subdued inflation due to falling oil prices. There has also been considerable volatility because of uncertainties over Greek debt and Chinese markets. Long term PWLB rates rose by 0.3% during the first quarter but fell back again in the second quarter to their original level.

5. The strategy indicated that the overall structure of interest rates, whereby short term rates are lower than long term rates, was expected to remain the same throughout 2015/16. In this scenario, the strategy would be to reduce investments and borrow for short periods and possibly at variable rates when required.

CAPITAL BORROWINGS AND DEBT RESCHEDULING

6. The borrowing requirement comprises the expected movements in the Capital Financing Requirement and reserves plus any maturing debt which will need

to be re-financed. The Authority does not envisage that any new long term borrowing will be required in 2015/16.

7. Current PWLB lending terms have severely constrained the option to generate savings via debt rescheduling. A significant rise in long term interest rates is required before rescheduling of debt is viable. However, interest rate structures are continually monitored for opportunities to generate savings from debt rescheduling. Any rescheduling that takes place will be reported to Members in monitoring reports.

ANNUAL INVESTMENT STRATEGY

8. The investment strategy for 2015/16 set out the priorities as the security of capital and liquidity of investments. Investments are made in accordance with CLG Guidance and CIPFA Code of Practice. Investments are made in sterling with an institution on the counterparty list and for a maximum of one-year duration.

9. The credit ratings and individual limits for each institution within the categories of investments to be used by the Authority in 2015/16 are as follows:

UK Government including gilts and the Debt Management Account Deposit Facility, (DMADF)	Unlimited
UK Local Authorities (each)	Unlimited
Part Nationalised UK banks	£4m
Money Market Funds (AAA rated)	£3m
Enhanced Money Market (Cash) Funds (AAA rated)	£3m
UK Banks and Building Societies (A- or higher rated)	£2m
Foreign banks registered in the UK (A or higher rated)	£2m

10. Investments have been made with various counterparties including UK and foreign banks with higher credit ratings, the larger Building Societies, “nationalised” banks and AAA rated money market funds. This diversity has enabled reasonable returns in a low interest rate environment. In the period 1st April to 30 November 2015 the average rate of return achieved on average principal available was 0.67%. This compares with an average seven day deposit (7 day libid) rate of 0.36%.

EXTERNAL DEBT PRUDENTIAL INDICATORS

11. The external debt indicators of prudence for 2015/16 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£65 million
Operational boundary for external debt:	£45million

Against these limits, the maximum amount of debt that was reached in the period April to November 2015 was £42.1 million.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS

12. The treasury management indicators of prudence for 2015/16 required by the Prudential Code were set in the strategy as follows:

a) Interest Rate Exposures

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 50%

The maximum that was reached in the period April to September 2015 was as follows:

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 0%

b) Maturity Structure of Borrowing

Upper and lower limits for the maturity structure of borrowing were set and the maximum and minimum that was reached for each limit in the period April to November 2015 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum Actual	Minimum Actual
Under 12 months	50%	0%	5%	2%
12 months and within 24 months	50%	0%	5%	2%
24 months and within 5 years	50%	0%	4%	2%
5 years and within 10 years	50%	0%	9%	9%
10 years and above	90%	0%	82%	80%

c) Total principal sums invested for periods longer than 364 days

The limit for investments of longer than 364 days was set at £2 million for 2015/16. No such investments have been placed in 2015/16.

13. **PERFORMANCE INDICATORS**

The Code of Practice on Treasury Management requires the Authority to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking.

14. The indicators for the treasury function are:

- Borrowing – the indicator is the average rate of actual borrowing compared to the average available for the period of borrowing. However, there has been no borrowing in the period April to November 2015.

- Investments – Internal returns compared to the 7 day LIBID rate. The return in the period April to November 2015 was 0.31% above the benchmark.

TREASURY MANAGEMENT ADVISORS

15. The treasury management service is provided to the Authority by Liverpool City Council. The terms of the service are set out in an agreed Service Level

Agreement. The Council employs treasury management advisors appointed under a competitive procurement exercise who provide a range of services which include: -

- Technical support on treasury matters, capital finance issues.
- Economic and interest rate analysis.
- Debt services which includes advice on the timing of borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service comprising the three main credit rating agencies.

16. Whilst Liverpool City Council and its advisors provide the treasury function, ultimate responsibility for any decision on treasury matters remains with the Authority.

CONCLUSION

17. Treasury Management activity in 2015/16 has been carried out in compliance with the relevant Codes and Statutes and within the borrowing and treasury management limits set by the Authority under the prudential code.

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	**AUDIT SUB COMMITTEE**		
DATE:	**5 JANUARY 2016**	**REPORT NO:**	**CFO/005/16**
PRESENTING OFFICER	**DEPUTY CHIEF FIRE OFFICER**		
RESPONSIBLE OFFICER:	**DEB APPLETON**	**REPORT AUTHOR:**	**JACKIE SUTTON**
OFFICERS CONSULTED:	**STRATEGIC MANAGEMENT GROUP**		
TITLE OF REPORT:	**CORPORATE RISK REGISTER UPDATE JULY - OCT 2015**		

APPENDICES:	**APPENDIX A:**	**CORPORATE RISK REGISTER 2015-16**

Purpose of Report

1. To inform Members of the current risks contained within the Corporate Risk Register, the status of the risks and associated control measures - including reference to any new risks added to the Register or any risks that no longer apply and can be removed

Recommendation

2. That Members approve the updated Corporate Risk Register.

Introduction and Background

3. It is good practice to regularly review the internal and external risks to the ongoing delivery of service by the Authority.

4. To that end, a Corporate Risk Register has been produced which focusses on the Mission and Aims of the Authority and aligns each risk to a specific aim. The resultant risks have been scored against the original risk and re-scored following mitigation. The purpose of this report is to ask Members to review the updated register to consider any implications for the Authority.

<u>October 2015 Update</u>

5. In line with the National Framework 2012 for Fire and Rescue Services a supplement to the existing Integrated Risk Management Plan 2013/15 has been approved by the Authority to cover the two year period 2015/17. This addresses MFRA's commitment to meeting its legal and social obligations.

6. In March 2015 risk owners were asked to review their risks for the new financial year 2015/16. They were asked to assess if risks assigned to them are still relevant and current, if the mitigation put in place is still adequate and if risk

scores are still appropriate. This review is repeated each time the register is updated.

7. Members are asked to note the risk control measures implemented for the following risks;

   - Risk 1.1 Insufficient staff to maintain current levels of operational planning, training and management of intelligence - A firefighter recruit course started in April 2015 is now finished and the recruits now crew two additional appliances on a wholetime retained crewing system.

   - Risk 2.6 Potential impact if MFRA does not build on relationship with PCC on Prevention and Protection working and partnerships. Work in support of the Police and Crime Commissioners (PCC) Office (and 5 Local Authority Community Safety Partnerships (CSP's)) remains a priority. Officers engage at the Merseyside CSP (chaired by PCC) and support a number of tactical groups).

   - Risk 4.6 Increased flood risk and Risk 4.7 Extreme weather - All frontline crew are trained and equipped in still water response and the Search and Rescue Team are all swift water rescue and rescue boat operator trained. Crews were deployed to assist in Cumbria, Lancashire, West and North Yorkshire during recent flooding.

   - The wording of Risk 4.3 has been changed to reflect concern about inequalities and the changes to society being due to environmental and political change. Officers closely monitor incidents for areas of concern and have seasonal plans in place to meet some of these challenges.

Equality and Diversity Implications

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

Staff Implications

9. There are no specific staff implications arising from this report.

Legal Implications

10. There are no specific legal implications arising from this report.

Financial Implications & Value for Money

11. Management of Corporate Risk and the application of suitable mitigation strategies being in place, affords the Authority security that should a risk become an issue then suitable remedies are in place to mitigate any impact.

Risk Management, Health & Safety, and Environmental Implications

12. The assessment and mitigation of risk is essential in ensuring a safe working environment for all MFRA employees and its agents and consideration of its actions on the environment is paramount.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

13. Knowledge of and response to a risk occurring is an essential component of ensuring that the Authority continues to deliver an effective and efficient service to the communities of Merseyside.

BACKGROUND PAPERS

CFO/065/15 Corporate Risk Register Update April – June 2015

GLOSSARY OF TERMS

COMAH Control of Major Accident Hazard

CSP Community Safety Partnership

PCC Police and Crime Commissioner

This page is intentionally left blank

CORPORATE RISK REGISTER 2015/16

Aims:- 1) Excellent Operational Preparedness 2) Excellent Operational Response
3) Excellent Prevention & Protection 4) Excellent People

July –October 2015

Mission :- Safer Stronger Communities: Safe Effective Fire-fighters

RISK	STRATEGIC CORPORATE RISK	RISK No.	SPECIFIC CORPORATE RISKS	SUB RISK No.	AIMS AFFECTED	IMPACT	RISK SCORE	MITIGATION	MITIGATED SCORE	RISK/ACTION OWNER
1.	**Budget /Financial Risks**	**1.1**	Insufficient staff to maintain current levels of operational planning, training and management of intelligence	**1.1.1**	**1,2,3,4**	Increased risk to all MFRS staff safety - increased numbers of injuries.	**15**	**JULY-OCTOBER UPDATE:** The recent recruit course is now complete. This has meant 2 further wholetime retained appliances are now available for operational duties. Variable shift patterns are now implemented. Planning continues with regard to the station mergers consulted on in Knowsley, Wirral and St Helens	**12**	**AM Operational Preparedness**
				1.1.2	**1,2,3,4**	increased risk of property loss	**12**		**10**	
				1.1.3	**1,2,3,4**	Reducing ability to respond or maintain competent workforce.	**15**	**April-June 2015- Update:** **JULY-OCTOBER UPDATE:** *Work continues with the representative bodies to introduce the most effective ways of working , with 24hour/whole time retained just been introduced* *Additionally 16 new recruits are completing their training course all employed on new flexible contracts*	**10**	**Director of POD**

1.	**Budget/Financial Risks**			**1.1.4**	**1,2,3,4**	Reduced ability to maintain FF safety	**15**	**JULY-OCTOBER UPDATE:** Safe Person Assessments and Learn-pro on-line modules are being undertaken by operational crews as part of their core work and responsibilities. Practical application knowledge and understanding is tested through a station audit process Operational assurance continues to be carried out dynamically on the incident ground - to highlight areas of good practice and areas of improvement. All incidents are subject to debrief and a new debrief system has been introduced to ensure all H&S information is captured and acted upon.	**10**	**AM Operational Response/ Preparedness**
		1.2	Insufficient staff to maintain current prevention and protection work. Inability to maintain performance (e.g. Care Act)	**1.2.1**	**1,2,3,4**	Increased fires, deaths and injuries	**15**	**JULY-OCTOBER UPDATE:** We have delivered staff efficiencies for 2015/16, at present we continue to maintain appropriate staffing levels (advocates) across 6 localities. We are considering options for future service delivery and are engaged in a number of consultative processes.	**10**	**AM Community Risk Management**
		1.3	Insufficient FF's to maintain current levels of response and current number of fire stations	**1.3.1**	**1,2,3,4**	Increased risk of property loss in the community	**15**	**JULY-OCTOBER UPDATE:** Work continues to provide a more flexible Service to meet demand. This period has seen the reintroduction of Additional Voluntary Hours and the	**10**	**AM Operational Response**

								new day crewing model with recruit firefighters – both of which has seen availability of fire appliances increase.		
1.	**Budget/Financial Risks**			**1.3.2**	**1,2,3,4**	Increased fires, deaths and injuries	**15**	**JULY-OCTOBER UPDATE:** During the last quarter there have been potentially 4 accidental fire deaths (waiting on coroner outcome) and 28 persons injured through fire. Service delivery from operational fire stations has, following restructure, now moved under Operational Response in this last period. The number of Home Fire Safety Checks being carried out has been increased by around 30%	**10**	**AM Operational Response**
		1.4	Pay increases-impact on ability to maintain a balanced budget	**1.4.1**	**1,2,3,4**	1% increase in pay equates to approximately £1M of extra budget requirement.	**15**	**JULY-OCTOBER UPDATE:** Pay settlements for all staff were agreed for 2015/16 at 1% in line with the MFRA 5 year financial plan.	**10**	**Treasurer**
		1.5	Insufficient support staff to maintain services to front line and maintain good governance.	**1.5.1**	**1,2,3,4**	Reduced ability to maintain fleet, PPE, pay FF's and maintain the buildings.	**15**	**JULY-OCTOBER UPDATE:** Work is on-going to identify savings and new ways of working that will help preserve support services, including potential collaboration with	**10**	**SMG**

								the Police and North West Ambulance Service. Communication is also taking place to reassure staff about this work, explaining that it potentially presents opportunities and will not be rushed.		
Aims:	**1) Excellent Operational Preparedness.**		**2) Excellent Operational Response.**		**3) Excellent Prevention & Protection.**		**4) Excellent People**			
2.	**Legal & Legislative Risks**	**2.1**	National Framework	**2.1.1**	**1,2,3**	Damage to MFRS reputation. Impact on public and partner goodwill.	**15**	**JULY-OCTOBER UPDATE:** Work continues to provide the highest quality service while meeting the demands of the Government cuts. The picture for the future will become clearer when the actual Fire and Rescue Authority budget cuts are announced in December.	**8**	**SMG**
				2.1.2	**1,2,3**	Inability to respond to major national resilience incidents	**15**		**8**	**SMG**
				2.1.3	**1,2,3**	Increased fires, deaths and injuries	**15**		**12**	**SMG**
		2.2	Corporate Manslaughter Act	**2.2.1**	**1,2,3,4**	Sanctions, fines and or arrests resulting from death of Personnel	**25**	**JULY-OCTOBER UPDATE:** No sanctions or fines imposed during this period	**12**	**SMG**
		2.3	Changes introduced by the Localism Act 2011	**2.3.1**	**1,2,3,4**	Judicial Review – other legal challenges	**15**	**JULY-OCTOBER UPDATE:** No Judicial Review applications or other legal challenges during this period	**8**	**Director of Legal, Procurement & Democratic Services**
		2.4	Single Equality Act not maintaining compliance with the	**2.4.1**	**4**	Potential impact on reputation	**15**	**JULY-OCTOBER UPDATE:** Work continues to embed equality and diversity and consider its	**8**	**Director of Strategy &**

			Public Sector Equality Duty					implications for service delivery and employment. It is increasingly considered a as matter of course by all areas of the organisation.		**Performance**
2.	**Legal & Legislative Risks**	**2.6**	Police Crime Commissioner	**2.6.1**	**2,3**	Potential impact if MFRA does not build on relationship with PCC on Prevention and Protection working and partnerships	**15**	**JULY-OCTOBER UPDATE:** The work in support of the Police and Crime Commissioners (PCC) Office (and 5 Local Authority Community Safety Partnerships (CSP)) remains a priority. We engage at the Merseyside CSP (chaired by PCC) and support a number of tactical groups).	**12**	**AM Community Risk Management**
		2.7	Increased Litigation costs	**2.7.1**	**4**	Staff shortages resulting in dissatisfaction of staff and customers, causing increases in claims.	**15**	**JULY-OCTOBER UPDATE:** There has been no increase in claims in this period.	**12**	**Director of Legal, Procurement & Democratic Services**
				2.7.2	**4**	Increasing insurance and settlement cost provision	**12**	**JULY-OCTOBER UPDATE:** The total incurred (paid and reserved) on the Employee Liability claims increased by £278,160 from 30.6.15 to 30.9.15.	**6**	**Director of Legal, Procurement & Democratic Services**
				2.7.3	**2,4**	Increased incidents/costs/ injuries whilst travelling to incidents under blue lights/speeding	**12**	**JULY-OCTOBER UPDATE:** There were 12 accidents on blue lights compared to 5 in the same period the year before.	**6**	**Director of Legal, Procurement & Democratic Services**

				2.7.4	**2,4**	Potential for increased litigation arising from shared premises with partners.	**12**	**JULY-OCTOBER UPDATE:** No claims have been received within this period although some slips, trips and falls have been reported.	**6**	**Director of Legal, Procurement & Democratic Services.**
		2.8	Authority may lose autonomy post-election	**2.8.1**	**2,3**	(Possible merged at national or regional level or with other Blue Light Services).	**12**	**JULY-OCTOBER UPDATE:** Authority has responded to the government consultation on Blue light Collaboration. The Authority and Police & Crime Commissioner have jointly formed a Collaboration Committee. A project board consisting of Deputy Chief Officer (Police and FRS) and the operational director for NWAS provide sponsorship for the collaboration project.	**6**	**AM Strategic Change & Resources**
Aims:	**1) Excellent Operational Preparedness.**	**2) Excellent Operational Response.**	**3) Excellent Prevention & Protection.**	**4) Excellent People**						
3.	**Loss of Strategic sites/Assets**	**3.1**	Loss of strategic sites/assets and inability to provide services to Merseyside	**3.1.1**	**1,2,3,4**	Inability to respond to major local and national resilience incidents	**20**	**JULY-OCTOBER UPDATE:** Business Continuity Champion nominations now complete, training to be delivered in July. Individual department BIA being completed with view to record within Departmental Business Continuity plans	**8**	**Head of ICT, Treasurer, AM Operational Preparedness**
		3.2	Loss of FSHQ, FIRE CONTROL, TADA and fire stations	**3.2.1**	**1,2,4**	Inability to respond, delay in providing core services	**20**		**8**	
		3.3	Black Start causes loss of power at strategic sites	**3.3.1**	**1,2,3,4**	Inability to provide core services temporarily whilst fall-back site is brought online	**20**		**8**	**Head of ICT, Treasurer, AM Operational Preparedness**
		3.4	Protective security-	**3.4.1**	**1,2,3,4**	Potential security risk in		**JULY-OCTOBER UPDATE:**		

			potential risks resulting from non-compliance with FRS Protective Security Strategy.			relation to all FRS assets, particularly in relation to Personnel, information and premises risk.	20	Most requirements of the Protective Security Strategy have been implemented and policies are in place. These will be reviewed to ensure this is the case. Government security classification implementation will take place by the end of January.	12	**Director of Strategy & Performance**
		3.5	Station Change Programme. Mergers and closures of Merseyside stations in light of cuts.	**3.5.1**	**1,2,3,4**	Programme management direction and led by PO's.	20	**JULY-OCTOBER UPDATE:** Three station merger projects on-going under the governance of the Station Change Board. No further mergers identified at present however full operational impact of the CSR and the budget plan for 16/17 – 20/21 still being considered. Sharing of sites currently taking place or being considered on several sites owned by the Authority.	6	**AM Strategic Change & Resources**
		3.6	Potential elevated target risk for terrorist action in regards to cyber crimes	**8.1.1**	**1,2,3,4**	Loss of Fire Control ICT services and information assets	25	**JULY-OCTOBER UPDATE:** The mitigation measures for Risk 6.2 in Section 6. Technology apply to this Risk 3.6. • As part of the ICT Infrastructure industry standard security controls are in place • A monthly information security report is produced by the ICT Dept. • A recent Network penetration test has been requested as	6	**Head of ICT**

								part of the next Internal Audit Commissioning an external review of our combined cyber-resilience with the JCC is being considered.		
Aims:	**1) Excellent Operational Preparedness.**		**2) Excellent Operational Response.**			**3) Excellent Prevention & Protection.**		**4) Excellent People**		
4.	**Environmental And Political**	**4.1**	Increase in Environmental incidents resulting in the inability to respond	**4.1.1**	**1,4**	HSE and legislative impacts from illegal discharges (impact from fire-fighting activity)	**15**	**JULY-OCTOBER UPDATE:** Extant arrangements to deal with runoff water from firefighting operations are in place by way of arrangements to warn and inform Environment Agency and United Utilities when significant water runoff is anticipated. Incident ground risk assessment will include impact of contained water at fires. HAZMATS incidents are managed in accordance with environmental protection principles with spills being contained where possible. The same principle applies to decontamination water runoff.	**10**	**AM Operational Response**
		4.2	Insufficient water pressure resulting in the inability to fight fires effectively.	**4.2.1**	**1,2**	Potential for major consequences, FF injuries	**25**	**JULY-OCTOBER UPDATE:** We are looking at development of supplementary water supply plans for known areas of poor water supply to assist in fire-fighting activities.	**4**	**AM Operational Preparedness**
		4.3	Tackling inequalities and changes to society	**4.3.1**	**1,2,3**	Increased economic costs from increases in arson	**15**	**JULY-OCTOBER UPDATE:** We continue to monitor progress against a number of Local Performance Indicators to ensure we achieve the best possible outcomes set against the risk based strategy, we have seasonal plans to address key	**12**	**AM Community Risk Management**
				4.3.2	**1,2,3**	Increased economic costs from increases in fraud	**15**		**12**	
				4.3.3	**1,2,3**	Increased road traffic				

						collisions (RTC).	15	areas such as anti-social behaviour.	12	
				4.3.4	1,2,3	Increased antisocial behaviour (ASB)	15		12	
4.	**Environmental And Political**	4.4	Changing demographics in Merseyside brings about a changing in vulnerability profile and higher unemployment	4.4.1	2,3,4	Vulnerable areas may increase and move compromising community safety work.	15	**JULY-OCTOBER UPDATE:** Vulnerability remains a high focus for us (the primary areas being ageing and social isolation) we have seen an increase of fatal fires in this particular group and efforts across a number of areas are being implemented to assist by reducing risk.	12	**AM Community Risk Management**
		4.5	Reputation	4.5.1	1,2,3,4	Negative changes to the Community perception of MFRS may be detrimental to Prevention, protection and partnership activities.	15	**JULY-OCTOBER UPDATE:** Brand and reputation management are priorities for the corporate Communications Team. Both members of the team have recently left the organisation and are being replaced. This will remain a priority for the new team.	12	**Director of Strategy and Performance**
		4.6	Increased flood risk	4.6.1	1,2	Ability to respond to major flooding incidents from spate conditions.	15	**JULY-OCTOBER UPDATE:** All frontline crews are trained and equipped in still water response. A specialist team is available to support major flood incidents with resilience provided by retained personnel. This team has been deployed in this last quarter to support Cumbria Fire and Rescue Service. Operational planning and intelligence department continue to liaise with local authorities and other Local	10	**AM Operational Preparedness & Operational Response**
		4.7	Extreme Weather	4.7.1	1,2	Spate conditions will impact on ability to respond	15		10	**AM Operational Preparedness & Operational Response**

								Resilience Forum partners to develop flood response plans within Merseyside. Met Officer weather warnings are distributed to all MFRS staff with the ability to activate increased service level alerts as per Service Instruction 0815 Service Increased Alert Level Procedure.		
		4.8	Civil Unrest	**4.8.1**	**1,2,3**	Inability to respond effectively to civil unrest	**15**	**JULY-OCTOBER UPDATE:** Joint training exercises carried out with Merseyside Police at Operational and Tactical levels.	**10**	**AM Operational Preparedness & Operational Response**
		4.9	Health & Safety audits, failures and investigations	**4.9.1**	**1,2**	H&S audits, failures and investigations from HSE resulting in sanctions and or fines	**15**	**JULY-OCTOBER UPDATE:** The Health and Safety management system is fully compliant with HS(g) 65 and best practice management models. This has been assured via achievement of the OHSAS 18001 accreditation via independent audit. In relation to COMAH (Control of Major Accident Hazards) Regs 2015 Health and Safety Executive form part of the competent authority and annually review MFRS who have the legal responsibility for preparation and testing of emergency plans for the upper tier COMAH sites across Merseyside. Work is currently on schedule to ensure compliance for this year.	**10**	**AM Operational Preparedness & Operational Response**

Aims: 1) Excellent Operational Preparedness. 2) Excellent Operational Response. 3) Excellent Prevention & Protection. 4) Excellent People										
5.	**Loss of Key staff**	**5.1**	Sudden Mass Absenteeism Pandemic, Strike, CBRNE incident	**5.1.1**	**1,2,3,4**	Loss of Key staff, Inability to provide core services	**15**	**JULY-OCTOBER UPDATE:** Business Continuity Plans in place, recall to duty available in addition to resilience contracts.	**10**	**AM Operational Preparedness & Operational Response**
		5.2	Industrial Action resulting in the Inability to provide suitable response,	**5.2.1**	**1,2,3,4**	Inability to attend incidents, provide core services	**15**	**JULY-OCTOBER UPDATE:** The service remains confident it is able to provide appropriate fire cover during periods of industrial action through the usage of resilience contracts. These have recently been reviewed with the Fire Officers Association.	**12**	**All AM's, Director of POD**
		5.3	Change resulting in loss of Key staff and increasing workloads to set strategy and deliver services	**5.3.1**	**1,2,3,4**	Loss of key skills, lack of momentum going forward, reduced ability to respond to changes.	**15**	**APRIL – JUNE UPDATE** **JULY-OCTOBER UPDATE:** *Through both the Appraisal system, Gateway Development processes and Management Development programme the Authority continues to plan its required development, and succession planning. These mechanisms are also built into all departmental reviews*	**12**	**Director of POD**
		5.4	Reduction in size of Corporate Communications/media handling staff down to 2 members of staff.	**5.4.1**	**1,2,3,4**	Reducing promotion of safety messages and service/brand reputation protection.	**15**	**JULY-OCTOBER UPDATE:** Both members of the team have left the organisation and one has been replaced. Recruitment is underway for the second. The essential work has taken place during this time, but much of the work that enhances the basic provision is on hold and will be picked	**12**	**Director of Strategy & Performance**

								up when the team is fully staffed again.		
Aims:	**1) Excellent Operational Preparedness.**		**2) Excellent Operational Response.**		**3) Excellent Prevention & Protection.**		**4) Excellent People**			
6.	**Technology Risks**	**6.1**	Management of 3rd Party Technology Suppliers Software & Applications Training requirements.	**6.1.1**	**1,2,3,4**	Software & Applications training	**12**	**JULY-OCTOBER UPDATE:** The ICT and Information Management Strategy Steering Group has met and will meet 4 times a year. Reporting to this group is the Application Forum. The Application Forum is attended by staff across the organisation who carry supplier contract management for applications. This consistent approach will deliver improvement in supplier management.	**6**	**Head of ICT**
		6.2	Infrastructure sharing with partners Security from Virus and hacking , loss of data (Laptops, CD etc.).	**6.2.1**	**1,3,4**	Data compromised, loss of data , Safeguarding of Information	**15**	**JULY-OCTOBER UPDATE:** As part of the ICT Infrastructure industry standard security controls are in place. These controls are reviewed by Internal Audit and the requirement to have Code of Connections in place when exchanging data or information with third parties. A monthly information security report is produced by the ICT Dept. The Information Security Forum as a reference will review this report and escalate to the ICT and Information Management Strategy Forum. A recent Network penetration test has been requested as part of the next Internal Audit.	**12**	**Head of ICT & Director of Strategy & Performance**
		6.3	The ability, both financially and	**6.3.1**	**1,2,3,4**	Pace of technology Change and ability to		**JULY-OCTOBER UPDATE:** Adopting an ITIL approach the ICT		**Head of ICT**

			resource wise to keep abreast of technology refresh going forward.			adapt.	15	Capacity Meeting has been replaced by a Continuous Service Improvement meeting. This is attended by senior ICT Managers has this reference. Issues from the meeting can be escalated to ICT and Information Management Strategy Steering Group MFRA consider individual technology projects and after a POC will implement subject to a business case. An example of this is the Apple IPad role out	12	
6.	**Technology Risks**	**6.4**	Poor data/information management resulting in loss of data, legal redress from Information Commissioner.	**6.4.1**	**1,2,3,4**	Possible Fines, Poor/incomplete Data Loss of Data.	15	**<u>JULY-OCTOBER UPDATE:</u>** Partners and MFRS have had an increasing focus on information sharing agreements lately, with more of these being set up. Work continues to find a suitable on line training package for information security. Staff training sessions and guidance continues to help staff understand their obligations.	12	**Director of Strategy & Performance**
6.	**Technology Risks**	**6.5**	The Emergency Services Mobile Communication Programme (ESMCP) and transition to the emergency services network	**6.5.1**	**1,2,3**	Radio voice services cannot be guaranteed for the Transition	16	**<u>JULY-OCTOBER UPDATE:</u>** We have little control over any programme decisions at this stage. A watching brief is in place and any opportunities to influence the ESMCP project will be taken. An example of influence is our assurance reply to the	9	**Head Of ICT**

								recently issued Full Business Case and our participation in Local Implementation Assessments The Contract award for Lots 1-3 has taken place and areport will be submitted to SMG early 2015. Risks include • The Mobile Network Operators are unable to meet their commitment to deliver 4G to 98% of the population by end of 2015. Target date is now end of 2017. • The programme is proposing to go live September 2017 for the North West region which is a tight time scale. The Programme Board have therefore agreed to extend the project timescales. Extending the Project Timescale impacts on the existing Airwave contracts and as such the North West region will now be the first to transfer from the Airwave system to the new ESN. Risk mitigation is that the Airwave contract has been extended and DCLG will work close with FRS & Airwave to ensure that our current voice communication network remains in place and effective		

								The Emergency Services Mobile Communication Programme (ESMCP) will replace the communication service delivered by Airwave with a national mobile communication service for all 3 emergency services		
		6.6	Restrictions on storing sensitive information on the MFRA network	**6.6.1**	**1,2,3,4**	Consideration will be given when protectively marking information and efforts will be made not to mark information artificially high whilst taking account of any associated risks. Where a marking of RESTRICTED (or the equivalent in the Government Security Classifications is necessary a risk assessment will be carried out before it is stored on the network.	**15**	**<u>JULY-OCTOBER UPDATE:</u>** The implementation of the Government Security Classifications will be complete by the end of January 2016.	**12**	**Head of ICT** **Director of Strategy & Performance**
		6.7	Withdrawal and transition arrangements from SOFTLOGIC to new MIS for Community Fire Protection.	**6.7.1**	**1,2,3,4**	Robust transitional arrangements are required to ensure the Authority can carry out its statutory duty as the Enforcing Authority under the RRO (Fire Safety) 2005.	**15**	**<u>JULY-OCTOBER UPDATE:</u>** The working relationship with Sophtlogic is good as evidence from the move away from the HR and Fleet Modules. A reduced Soptlogic Contract has been put in place for 2015/2016 to cover MIS for Community Fire Protection whilst other alternative solutions are explored. A further extension to the contract is	**12**	**Head of Technology**

								being negotiated for 2016/2107.		
		6.8	Potential for Claims against critical suppliers for poor performance. Possibly terminate the Contract leaving the Authority short of vital resource	**6.8.1**	**1,2,3,4**	This is possible rather than probable. From a financial and reputational perspective, it would not be in supplier's interest to terminate but it would have a major impact.		**JULY-OCTOBER UPDATE:** All contract implementations and handover periods monitored closely. Robust procurement and contract management arrangements		**Treasurer**
Aims:	**1) Excellent Operational Preparedness.**	**2) Excellent Operational Response.**	**3) Excellent Prevention & Protection.**	**4) Excellent People**						
7.	**Procurement**	**7.2**	Poorly Managed contracts/Partnerships the Financial impacts, onerous T&Cs	**7.2.1**	**1,2,3,4**	Negative impact on service delivery, legal issues, poor quality Partnerships undertaken	**12**	**JULY-OCTOBER UPDATE:** Contract management procedures are in place and are being monitored	**8**	**Director of Legal, Procurement & Democratic Services**
		7.3	Key suppliers of goods and services ceasing to trade	**7.3.1**	**1,2,3,4**	Immediate impact on availability of goods and services required to operate efficiently, legal issues, alternative sources of supply needed	**15**	**JULY-OCTOBER UPDATE:** No reports of key suppliers ceasing to trade within this period	**12**	**Director of Legal, Procurement & Democratic Services**

Increasing Impact B		Increasing Likelihood A				
		1	2	3	4	5
		Remote	Unlikely	Possible	Likely	Frequent
1	Slight	Manage for continuous improvement	Manage for continuous improvement	Manage for continuous improvement	Manage for continuous improvement	Manage for continuous improvement
2	Minor					Develop Reduction measures
3	Significant			Develop Reduction measures	Compulsory Risk reduction	
4	Major		Develop Reduction measures	Compulsory Risk reduction		
5	Massive	Develop Reduction measures	Compulsory Risk reduction			