

**ESSEX FIRE AUTHORITY**  
Essex County Fire & Rescue Service



**Policy and Strategy Committee**

<b>10:00</b>	<b>Wednesday, 04 November 2015</b>	<b>Kelvedon HQ GF/01,</b>
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**Quorum: 5**

**Membership**

Councillor A Hedley  
Councillor B Aspinell  
Councillor J Chandler  
Councillor A Erskine  
Councillor A Holland  
Councillor J Jowers  
Councillor C Kent  
Councillor A Naylor  
Councillor Lady P Newton  
Councillor P Oxley

Chairman

Vice-Chairman

**For information about the meeting please ask for:  
Judith Dignum (Committee Services Manager, Essex County Council)  
03330134579 / [judith.dignum@essex.gov.uk](mailto:judith.dignum@essex.gov.uk)**

## **Essex Fire Authority and Committees Information**

Meetings of the Authority and its committees are open to the press and public, although they can be excluded if confidential information is likely to be considered.

Meetings are held at Essex County Fire and Rescue Service Headquarters, Kelvedon Park, Rivenhall, Witham, CM8 3HB. A map can be found on the Essex County Fire and Rescue Service's website ([www.essex-fire.gov.uk](http://www.essex-fire.gov.uk)); from the Home Page, click on 'Contact Us'.

There is ramped access to the building for wheelchair users and people with mobility disabilities.

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If you have a need for documents in an alternative format, in alternative languages or in easy read please contact the Committee Services Manager (contact details on the front page) before the meeting takes place. If you have specific access requirements please inform the Committee Services Manager before the meeting takes place.

The agenda is also available on the Essex County Fire and Rescue Service website, ([www.essex-fire.gov.uk](http://www.essex-fire.gov.uk)). From the Home Page, click on 'Essex Fire Authority', then scroll down the page and select the relevant documents.

## **Part 1**

(During consideration of these items the meeting is likely to be open to the press and public)

### **Pages**

**1 Apologies for Absence**

**2 Declarations of Interest**

To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct.

**3 Minutes**

**5 - 12**

To approve as a correct record the minutes of the meeting of the Committee held on 23 September 2015.

### **Decision Items**

**4 Budget Review - September 2015**

**13 - 20**

To consider a report by the Finance Director and Treasurer (EFA/093/15).

### **Information Items**

**5 Insurance Pooling**

**21 - 26**

To receive a progress report by the Finance Director and Treasurer (EFA/094/15).

**6 Date of Next Meeting**

To note that the next meeting of the Committee will take place on Wednesday 13 January 2016 at 11.00am or on the rising of the Extraordinary Essex Fire Authority meeting now to be held that morning, whichever is the later.

**7 Urgent Business**

To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

## **Exempt Items**

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

## **8 Commercial Report**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

## **9 Urgent Exempt Business**

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

# ESSEX FIRE AUTHORITY

## Essex County Fire & Rescue Service



### MINUTES OF A MEETING OF THE ESSEX FIRE AUTHORITY POLICY AND STRATEGY COMMITTEE HELD ON WEDNESDAY 23 SEPTEMBER 2015 AT 10:00 AM

#### Present:

Councillor A Hedley	Chairman
Councillor B Aspinell	
Councillor J Chandler	
Councillor A Erskine	
Councillor A Holland	Vice-Chairman
Councillor J Jowers	
Councillor C Kent	
Councillor A Naylor	
Councillor Lady P Newton	

#### With:

Debbie Hanson and Martina Lee from Ernst & Young LLP (External Auditors)

The following Officers were present in support throughout the meeting:

Adam Eckley	Acting Chief Fire Officer
Dave Bill	Assistant Chief Fire Officer - Operations
Roy Carter	Service Solicitor
Mike Clayton	Finance Director and Treasurer
Paul Hill	Assistant Chief Fire Officer - Safer and Resilient Communities
Lindsey Stafford-Scott	Director of Human Resources and Organisational Development
Shirley Jarlett	Deputy Clerk and Monitoring Officer
Fiona Lancaster	Committee Officer (Essex County Council)

Apologies for absence were received from Councillor P Oxley.

#### 1. Declarations of Interest

Councillor A Holland declared a personal interest in that she is a Director of EFA (Trading) Ltd, and Councillor J Jowers declared a personal interest in agenda items 6 (Medium Term Financial Strategy 2015-20) and 7 (Fleet Workshops Redevelopment) in that he is the Chairman of the Essex Police and Crime Panel

(minutes 5 and 6 below refer). Councillor Lady P Newton declared a personal interest in agenda item 7 (Fleet Workshops Redevelopment) in that she is the Cabinet Member at Braintree District Council with responsibility for planning (minute 6 below refers).

## **2. Minutes**

The minutes of the meeting held on 24 June 2015 were agreed as a correct record and signed by the Chairman.

## **3. 2014/15 Accounts and Annual Governance Statement**

By general consent, the Committee agreed that agenda item 9 (Auditors' Report on Accounts, EFA/079/15) would be considered as part of this item. Copies of the report, which had been marked 'to follow' on the agenda, were circulated at the meeting.

The Committee considered report EFA/074/15 by the Finance Director and Treasurer providing a summary of the key issues from the audit of the accounts for 2014/15. The Committee also reviewed a revised Statement of Accounts which had been amended to include reference to a cultural review of the Authority undertaken by Irene Lucas CBE, and a Letter of Representation provided by the External Auditors.

The following points arose from consideration of the reports:

- The Committee noted that the draft accounts had been amended following the outcome of the case of Milne vs the Government Actuary's Department (GAD), and the government's acceptance to fund the liability for increased lump sum payments to firefighters who retired between 2001 and 2006. A note of explanation had been included in the accounts, but there was no financial impact on these.
- Councillor Aspinell was advised that any proposal for the Expert Advisory Panel (the appointment of which was one of the recommendations contained within the Independent Cultural Review) to conduct or commission a review of the Members' Allowances Scheme would be a matter for consideration by the full Fire Authority.
- The Committee noted that the External Auditors had overall found no significant issues of concern.
- Members noted that following changes to national guidelines on financial resilience the External Auditors had identified a budget gap. There were sufficient funds in the reserves to enable the Authority to implement its plans to achieve savings, but the detailed plans were not yet available.
- The External Auditors explained that in the light of the cultural review the note on governance arrangements (page 17 of the Auditor's Report on

Accounts) had been amended to 'adequate', recognising the positive steps already being taken to address the findings.

- The Acting Chief Fire Officer drew attention to the assurance given by the Internal Auditor's in respect of Programme 2020, thereby demonstrating that the Authority's approach to achieving financial savings was sound.
- The Chairman on behalf of the Committee and the Authority thanked the Finance Director and Treasurer and his team for their effective management of the Authority's finances.

**Resolved:**

1. That the Auditors' Report attached as an appendix to report EFA/079/15 be noted;
2. That, following the review at the meeting, the revised Annual Governance Statement be agreed;
3. That, following the review at the meeting, it be noted that no unadjusted audit errors had been identified;
4. That the Statement of Accounts be agreed;
5. That the Letter of Representation be agreed and the Chairman authorised to sign it on the Committee's behalf;
6. That the Chairman and the Acting Chief Fire Officer be authorised to sign the Annual Governance Statement.

**4. Budget Review - August 2015**

The Committee considered report EFA/075/15 by the Finance Director and Treasurer which reviewed expenditure against budget as at 31 August 2015 and identified major variances to the budget for the period.

The Committee gave detailed consideration to issues relating to the significant underspend on firefighters pension costs due to a reduction in employer contributions to the pension scheme, the additional resilience costs relating to industrial action, the factors reflected in the forecast which required three budget virements, and capital expenditure.

**Resolved:**

1. That the review of income and expenditure against the budget be noted;
2. That the forecast position for 2015/16 be noted;

3. That the budget virements summarised in report EFA/075/15 be agreed;
4. That the actual position with capital expenditure be noted.

**5. Medium Term Financial Strategy 2015-20**

Councillor J Jowers declared a personal interest in this item (minute 1 above refers).

The Committee considered report EFA/076/15 by the Finance Director and Treasurer which provided an initial assessment of the financial position of the Authority for the next four years.

The following points arose from consideration of the report:

- Members acknowledged the difficulty in trying to predict what might happen, and the speed of change, in relation to the projected loss of government funding over the next four years.
- The Committee noted that the 2016/17 budget may need to be revised in June 2016 as a result of the 2020 programme.
- The Committee considered the possibility of the Authority seeking an increase in Council Tax contributions. Members expressed the view that the Authority should continue to drive for efficiencies and remain a low tax organisation.
- Members expressed the view that the Authority should consider ways to generate income.
- The Committee indicated that it was content to support planning for an increase in the budget at this stage, and agreed the recommendations, subject to Recommendation 2 being amended to reflect the discussion on the potential level of Council Tax increase.

**Resolved:**

1. That the range of options for the projected loss in government funding from 2016/17 to 2019/20 be noted;
2. That future funding plans should reflect increases in the level of Council Tax of up to 1.5% per annual be agreed;
3. That Service planning for 2019/20 should reflect a complete loss of revenue support grant funding from the government;
4. That the initial 2016/17 budget should be prepared based on a funded total of £69.145m.



## **6. Fleet Workshops Redevelopment**

Councillors J Jowers and Lady P Newton declared a personal interest in this item (minute 1 above refers).

The Committee considered report EFA/077/15 by the Finance Director and Treasurer on the requirement for a new Fleet Services facility, seeking funding to initiate a project to design and tender for the construction of a new facility to replace the vehicle workshop at Lexden.

The following points arose from consideration of the report:

- The Committee noted that a suitable site had not yet been identified.
- Members indicated that they felt unable to agree to the proposals outlined in the report at this stage, and questioned why the workshop could not be moved to the Kelvedon Park site and whether the Authority had explored collaboration opportunities with other services.
- The Committee expressed the view that the Fleet issue should be included in the 2020 programme.
- The Committee indicated that further background information was required on the potential value of the Lexden site, and on other sites available in North Colchester. In addition, the future development of the A12 and A120 roadways needed to be taken into account and early pre-planning application discussions with relevant District/Borough Councils were advised.
- The Acting Chief Fire Officer explained that, although the potential relocation of the workshop to Kelvedon Park site had been excluded from the original business case for the site, the option to include it had been considered at a later stage, but dismissed by the Fire Authority. He also confirmed that opportunities to work in partnership had been explored, but there was no appetite from other services to find a solution. Outsourcing of the facility had been considered, but was not recommended as it would not deliver any additional benefits.

Following discussion, during which Members expressed some disquiet on the proposed recommendations, the Chairman proposed a new recommendation which was seconded by Councillor B Aspinell, as follows:

### **Resolved:**

That a revised report on Fleet Workshops Redevelopment issues should be submitted to the December 2015 meeting of the Essex Fire Authority.

## **7. Employee Mental Health and Wellbeing**

The Committee considered report EFA/078/15 by the Director of Human Resources and Organisational Development providing an update from the Workforce Transformation Programme project on Employee Health and Wellbeing on the development by employees of a core statement and action plan to improve and safeguard mental health and wellbeing for all Authority employees.

The following points arose from consideration of the report:

- The Committee noted that the action plan had been employee led and had been commended by Mind.
- An event to sign and show commitment to the Mind Blue Light Pledge would be held on 23 October 2015.
- Members welcomed the initiatives and indicated their support.
- The Committee noted that help was available for care support providers, and were reminded of the role carried out by the Fire Fighters Charity.

### **Resolved:**

1. That the Employee Mental Health and Wellbeing core statement and action plan be supported.
2. That Essex Fire Authority be recommended to sign the Mind Blue Light Pledge for Emergency Services.

## **8. Auditors' Report on Accounts**

This report was considered in conjunction with agenda item 4 (2014/15 and Annual Governance Statement) – minute 3 above refers.

## **9. Invest to Save Proposal – Installation of Solar Panels – Closure Report**

The Committee considered report EFA/080/15 by the Finance Director and Treasurer which provided a closure report for the Solar Panels project implemented across the Authority's property portfolio.

The following points arose from consideration of the report:

- The Committee noted the underspend of the final project cost being £1.287m, and the new estimated payback period of 13 years, compared to the 10 years originally predicted.
- The Authority will continue to monitor the benefits and savings achieved.

- Members noted that there had been some complications with the Rayleigh Weir Fire Station installation in relation to the new geothermal heating system and solar thermal water heating, but were reassured that emerging issues arising from the new technology were being resolved.
- The Committee questioned whether there was an opportunity for income generation in relation to the disused property (cottage) on the Kelvedon Park site. The Acting Chief Fire Officer stated that this property would remain in situ until a decision had been made on future planning prospects.
- It was noted that there were solar panel installations on the Pump House and on the new extension at Kelvedon Park.

**Resolved:**

That the report be noted.

**10. Date of Next Meeting**

It was noted that the next meeting of the Committee would take place on Wednesday 4 November 2015 at 10.00 am.

**11. Exclusion of the press and public**

**Resolved:**

That, having reached the view that the public interest in maintaining the exemption (and discussing the matter in private) outweighed the public interest in disclosing the information, the public (including the press) be excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information, as specified in Part 1 of Schedule 12A of the Local Government Act 1972.

**12. Investigation Report**

(Exempt under paragraphs 1 and 2 – information relating to any individual or which is likely to reveal the identity of any individual).

The Committee considered report EFA/081/15 by the Director of Human Resources and Organisational Development which provided an update on an investigation.

**Resolved:**

The Committee **noted** the report.

### **Closing Remarks**

The Chairman, on behalf of the Committee, asked for thanks to be recorded to the Senior Management Board for the way in which they had undertaken their work during the past 18 months.

There being no further exempt business the meeting closed at 11:50 am.

Chairman  
4 November 2015

# ESSEX FIRE AUTHORITY

## Essex County Fire & Rescue Service



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MEETING

**Policy & Strategy  
Committee**

AGENDA ITEM

**4**

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MEETING DATE

04 November 2015

REPORT NUMBER

**EFA/093/15**

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SUBJECT

**Budget Review – September 2015**

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REPORT BY

The Finance Director & Treasurer

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PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

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### SUMMARY

This paper reports on expenditure against budget as at 30 September 2015 and identifies major variances to the budget for the period. The report also reviews the forecast outturn for 2015/16.

### RECOMMENDATIONS

Members are asked to:

1. Note the review of income and expenditure against the budget;
2. Note the forecast position for 2015/16;
3. Agree the capital budget virement of £301k for bring forward the purchase of thermal image cameras; and
4. Note the actual position with capital expenditure;

### BACKGROUND

This report reviews the actual expenditure against budget to 30 September 2015 for both revenue and capital expenditure. The budget reported against reflects the virements made in the year to date, including those agreed by the committee in September 2015.

A summary of the net revenue expenditure for the six months to 30 September is shown in the table below.

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	16,643	(27) ✓	0%	-
On-Call Fire-Fighters	2,630	412 ✓	19%	-
Control	662	(35) ✓	-5%	-
Support Staff	5,567	255 ✓	5%	65
<b>Total Employment Costs</b>	<b>25,502</b>	<b>605</b> ✓	<b>2%</b>	<b>65</b>
Support Costs	921	(29) ✓	-3%	91
Premises & Equipment	5,045	(30) ✓	-1%	656
Other Costs & Services	1,945	141 ✓	8%	907
Ill health pension costs	984	(16) ✓	-2%	-
Financing Items	897	(7) ✓	-1%	0
Operational income	(2,441)	(383) ✓	19%	0
Contribution to/(from) Reserves	-	(433) ✓	0%	-
<b>Total Other Costs</b>	<b>7,351</b>	<b>(757)</b> ✓	<b>-9%</b>	<b>1,654</b>
<b>Total Budget</b>	<b>32,854</b>	<b>(152)</b> ✓	<b>0%</b>	<b>1,719</b>
<b>Total Funding</b>	<b>(37,606)</b>	<b>(0)</b> ✓	<b>0%</b>	<b>-</b>
<b>Funding Gap / (Surplus)</b>	<b>(4,752)</b>	<b>(152)</b> ✓	<b>3%</b>	<b>1,719</b>

More detailed figures are provided at page 6.

## STAFFING

Overall employments costs are £605K (2%) above budget for the 6 months to 30 September.

The underspend for whole time fire-fighters is £27K (0.2%).

For on-call firefighters, spend is £412K over budget, The industrial action between 13<sup>th</sup> June and 1<sup>st</sup> September accounts for additional resilience costs of £385k and is the main reason for the overspend. This high cost reflects the decision of the Fire Brigades Union to only call managers out on strike. Firefighters not on strike attended training sessions.

The £255K (5%) overspend on support staff pay mainly relates to casual and temporary staff for specific project work in the HR, Community Safety and Property departments. Budget holders are currently finalising virements to help deal with this position.

Whole-time fire-fighter numbers at 730 are 10 (1%) under budget at the end of September, the main reason for this is a high number of retirements and leavers (14 in total) during April 2015. There are no plans to recruit more whole-time fire-fighters.

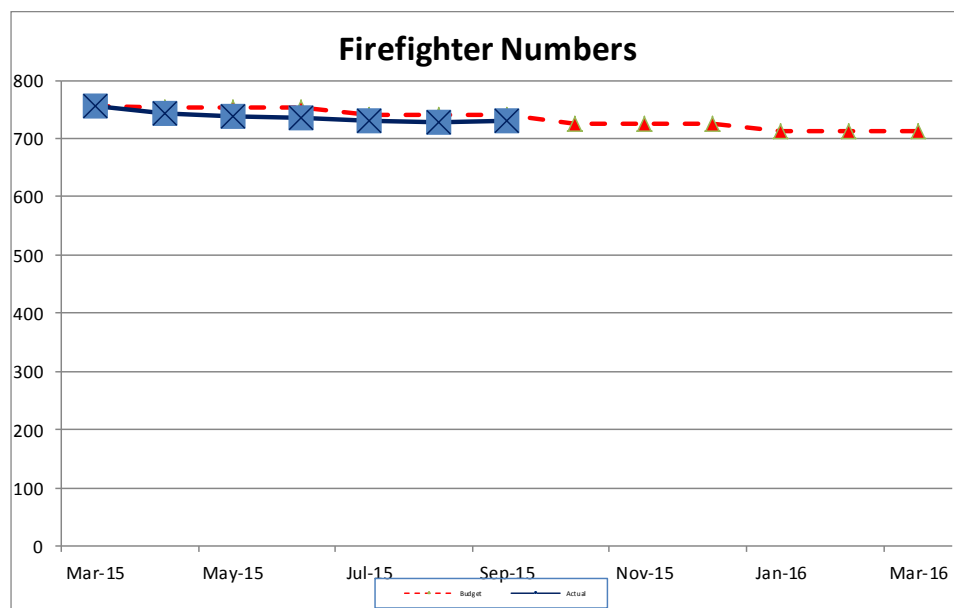
The staffing position at the end of September is summarised below (% figures rounded):

30 Sep 2015	Actual	Budget	Variance	
Wholetime Firefighters - FTE	730.0 ✓	740.0	-10.0	-1%
On-Call Firefighters - Headcount	469.0 ✓	514.0	-45.0	-9%
Control - FTE	34.0	34.0	0.0	0%
Support Staff - FTE	258.2	262.0	-3.8	-1%
<b>Total</b>	<b>1,491.2</b>	<b>1,550.0</b>	<b>-58.8</b>	<b>-4%</b>

The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 373 fire-fighters against a maximum station requirement of 454. Changes to the recruitment process for on-call firefighters are being made and an increase in the number of on-call firefighters is expected.

The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 7 at the end of September; we have experienced higher retirement rates in the first months of the year than anticipated in the budget. The number of fire-fighters over 50 with more than 25 years' service was 82 at the end of September.

The graph below shows the numbers of whole-time fire-fighters compared to the budget for the month.



## WATCH BASED FIREFIGHTERS

The numbers of Watch Based Fire-fighters compared to the target levels set by the Authority are shown below:

Date	Budgeted Rider Resource	Optimum Rider Resilience Level	Critical Minimum Rider Requirement	Actual Riders	Wholetime Rota Day Working (FTE)	On-Call Firefighters Mixed Crewing (FTE)
31/08/2015	624	600	576	576.0	0.0	3.2
30/09/2015	624	600	576	577.0	0.0	2.0

Watch based numbers are below the optimum rider resilience level; this level will reduce when the final stage of the withdrawal of Rescue Tenders is completed in the autumn. Action, short of a strike by the Fire Brigades Union as part of the national dispute over pensions is preventing any additional shift working or voluntary overtime by firefighters. The additional shifts worked by on-call fire-fighters, mainly at Dunmow are reported as Full Time Equivalent (FTE) posts in the table above.

## NON PAY RELATED EXPENDITURE

Non pay expenditure is £374k underspent for the 6 months to 30 September; in addition operational income is £383K better than budget.

Support costs are £29K (5%) underspent overall, clothing (£43K), occupation health (£38K) and travelling/subsistence (£78K) are all underspent, contributions to the pension fund for financial strain relate to support staff early retirements and are £58k overspent. Training is also £72K overspent.

Premises and equipment is £30K (1%) underspend, the main elements are a slower than budget take up on property maintenance partially offset by higher electricity costs and rates (£118K underspend), transport (mainly petrol £42K underspent) and an overspend ICT projects (£130K).

Other costs and services are £141K overspent, this comprises Consultancy spend which is £101K (20%) over budget. This overspend mainly comprises additional support costs for the control project (£24K), property projects (£31K), HR workforce planning project and pensions audit (£40K). Budget holders will need to exercise strict control over consultancy costs if we are to avoid an overspend by the end of the year.

In addition to Consultancy the other area contributing to the overspend on other costs and services is other local authority services which includes recharges of £47K from Essex County Council for support to the Communications team. A virement to cover this from within total budget provision is being prepared and will be reflected in the October report.

Operational income is £383k better than budget; the main reasons for this are higher recharges for officers on secondment (£124K) and higher government grants for business rates support than budgeted for (£264K).

## **FORECAST 2015-16**

The first forecast for the year was included in the August Finance report, whilst the forecast has not been updated a number of budget virements have been processed as a result of management actions arising from the forecast exercise. The net result is that the total forecast for the Authority still shows the same budget and the expected small underspend of £28K for the year.

The budget agreed by the Fire Authority in February was £71.8m; in addition, a number of earmarked reserves were created last year to enable funding of specific expenditure in 2015-16. These reserves included £0.7m relating to workforce planning, solar panel installation at stations and the costs of the cultural review currently being undertaken. The total net expenditure budget for the year therefore stands at £72.5m.

The outturn forecast including a summary of budget virements to date, is summarised below.



Description	Original Full Year Budget £'000s	Virements £'000s	Current Full Year Budget £'000s	July Forecast £'000s	Forecast Variance £'000s	% Forecast Variance
Firefighters	33,311	(378)	32,933	32,961	28	0%
On-Call Fire-Fighters	5,208	-	5,208	5,624	416	8%
Control	1,401	-	1,401	1,334	(67)	-5%
Support Staff	10,433	496	10,929	11,096	167	2%
<b>Total Employment Costs</b>	<b>50,353</b>	<b>118</b>	<b>50,471</b>	<b>51,015</b>	<b>544</b>	<b>1%</b>
Support Costs	1,993	4	1,997	1,901	(96)	-5%
Premises & Equipment	10,151	-	10,151	10,231	81	1%
Other Costs & Services	3,354	165	3,519	3,788	269	8%
Ill health pension costs	2,000	-	2,000	2,000	-	0%
Financing Items	7,588	291	7,879	7,879	(0)	0%
Operational income	(4,116)	-	(4,116)	(4,552)	(436)	11%
Contribution to/(from) Reserves	506	110	616	226	(390)	-63%
<b>Total Other Costs</b>	<b>21,474</b>	<b>570</b>	<b>22,044</b>	<b>21,472</b>	<b>(572)</b>	<b>-3%</b>
<b>Total Budget</b>	<b>71,827</b>	<b>688</b>	<b>72,515</b>	<b>72,487</b>	<b>(28)</b>	<b>0%</b>
<b>Total Funding</b>	<b>(71,827)</b>	<b>-</b>	<b>(71,827)</b>	<b>(71,828)</b>	<b>(0)</b>	<b>0%</b>
<b>Funding Gap / (Surplus)</b>	<b>-</b>	<b>688</b>	<b>688</b>	<b>660</b>	<b>(28)</b>	

On call fire-fighters pay is forecast to be £416K overspent, £375K of this relates to the impact of resilience payments as a result of industrial action for the period from the 13th June to 1st September. No further forecast is made for the effects of any further industrial action not yet announced as it is not possible to predict during the remaining part of the year. We currently aim to fund the costs of industrial action within the budget approved by the Fire Authority in February.

The support staff pay forecasts include funding the impact of implementing the recommendations of a job evaluation report at a cost in 2015-16 of £250K. The other main factors are additional support costs for project 2020 (£145k) and Workforce Planning, b/fwd from last year c£50K.

Premises and equipment shows a forecast overspend of £81K, this mainly relates to utilities where the savings from solar panels have not reached the levels included in the budget.

Operational income is forecast to be better than budget, in particular secondment income is forecast to be c.£190K better than the budget of £100K, and business rates support is forecast to be £250K better than the budget of £220K.

To meet budget pressures associated with the continuation of the control project, additional costs for the 2020 programme and the response to the Cultural Review officers are reviewing the forecast spend to identify in-year savings to release further funding in the current year for these activities. Other funding needs arising from a review of the management structure would require the use of reserves. There is the potential to utilise the capital receipts reserve of £2.0m to reduce capital financing charges and use the savings achieved to fund other budget virements.

## CAPITAL EXPENDITURE

Capital expenditure spent and committed for the 6 months to 30 September 2015 is shown in the table below.

Total capital expenditure is £6.6m, the largest item included is £3.7m for new appliances. The figure also includes £290K for Solar Panels and £535K for asset protection. The equipment spend and commitment of £667K comprises thermal

imaging cameras (£344K), heavy rescue equipment (£261K) and gas tight suit replacement (£62K)

The investment of £1,102K in information technology relates to replacing the MIS system for Safer Communities, the water section and Fleet Workshops.

Within the forecast one virement requires Member approval – to bring forward £301k of planned spend on thermal image cameras to the current year.

	Budget £'000s	Actual Spend To September 2015 £'000s	Commitments £'000s	Total Spend including Commitments £'000s	Forecast 2015 £'000s
<b>Property</b>					
Solar Panels	291	-	290	290	291
Asset Protection	2,170	235	300	535	2,170
<b>Total Property</b>	<b>2,461</b>	<b>235</b>	<b>591</b>	<b>826</b>	<b>2,461</b>
<b>Equipment</b>	<b>1,375</b>	<b>660</b>	<b>6</b>	<b>667</b>	<b>1,274</b>
<b>Information Technology</b>					
Projects > £250k	1,300	253	739	992	1,178
Projects < £250k	200	46	65	110	-
<b>Total Information Technology</b>	<b>1,500</b>	<b>299</b>	<b>804</b>	<b>1,102</b>	<b>1,178</b>
<b>Vehicles</b>					
New Appliances	4,382	1,120	2,578	3,698	4,000
Other Vehicles	851	150	590	740	1,087
<b>Total Vehicles</b>	<b>5,233</b>	<b>1,270</b>	<b>3,168</b>	<b>4,438</b>	<b>5,087</b>
<b>Total Capital Expenditure</b>	<b>10,569</b>	<b>2,464</b>	<b>4,569</b>	<b>7,033</b>	<b>10,000</b>

## RISK MANAGEMENT IMPLICATIONS

The review of expenditure against the profiled budget is part of the overall financial control process of the Authority. In exceptional circumstances it allows for budget virements to ensure that underspending against budget heads can be utilised to fund expenditure against other priorities. If virements are not made there is a risk that the Authority will miss out on opportunities to improve performance and meet key objectives during the year. The Authority's reserves are at the upper end of their target range and the Authority is able to fund short term fluctuations in activity from them when necessary.

The review of the management accounts is one control measure to mitigate the risk of overspending the Authority's budget for the year.

## LEGAL IMPLICATIONS

There are no direct legal implications within this report.

## USE OF RESOURCES

There are no use of resources implications within this report

## ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from this report

## EQUALITY IMPLICATIONS

There are no equality implications arising from this report.

<b>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
<b>List of appendices attached to this paper:</b>	
Appendix 1 – Expenditure compared to budget to 30 September 2015	
<b>List of background documents (not attached):</b>	
Proper Officer:	The Finance Director and Treasurer
Contact Officer:	The Finance Director and Treasurer, Mike Clayton Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk

## EXPENDITURE COMPARED TO BUDGET TO 30 SEPTEMBER 2015

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	16,643	(27)	0%	-
On-Call Fire-Fighters	2,630	412	19%	-
Control	662	(35)	-5%	-
Support Staff	5,567	255	5%	65
<b>Total Employment Costs</b>	<b>25,502</b>	<b>605</b>	<b>2%</b>	<b>65</b>
Training	303	73	32%	37
Employee Support Costs	364	(25)	-6%	51
Travel & Subsistence	254	(78)	-23%	3
<b>Support Costs</b>	<b>921</b>	<b>(29)</b>	<b>-3%</b>	<b>91</b>
Property Maintenance	910	(234)	-20%	420
Utilities	319	81	34%	0
Rent & Rates	755	36	5%	0
Equipment & Supplies	716	(1)	0%	32
Communications	720	86	14%	(0)
Information Systems	1,147	44	4%	165
Transport	478	(43)	-8%	39
<b>Premises &amp; Equipment</b>	<b>5,045</b>	<b>(30)</b>	<b>-1%</b>	<b>656</b>
Establishment Expenses	519	(100)	-16%	86
Insurance	277	21	8%	(0)
Professional Fees & Services	1,024	222	28%	753
Democratic Representation	71	(7)	-9%	-
Agency Services	55	5	9%	67
<b>Other Costs &amp; Services</b>	<b>1,945</b>	<b>141</b>	<b>8%</b>	<b>907</b>
<b>III Health Pension costs</b>	<b>984</b>	<b>(16)</b>	<b>-2%</b>	<b>-</b>
Lease & Interest Charges	897	(7)	-1%	0
Statutory Provision for Capital Financing	-	-	0%	-
<b>Financing Items</b>	<b>897</b>	<b>(7)</b>	<b>-1%</b>	<b>0</b>
Operational income	(2,441)	(383)	19%	0
Contributions to/ (from) General Balances	-	(433)	0%	-
<b>Total Net Financing Requirement</b>	<b>32,854</b>	<b>(152)</b>	<b>0%</b>	<b>1,719</b>
Revenue Support Grant	(10,374)	(0)	0%	-
National Non-Domestic Rates	(7,641)	-	0%	-
Council Tax Collection Account	(401)	-	0%	-
Council Tax	(19,189)	-	0%	-
<b>Total Funding</b>	<b>(37,606)</b>	<b>(0)</b>	<b>0%</b>	<b>-</b>

# ESSEX FIRE AUTHORITY

## Essex County Fire & Rescue Service



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MEETING

**Policy & Strategy  
Committee**

AGENDA ITEM

**5**

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MEETING DATE

4 November 2015

REPORT NUMBER

**EFA/094/15**

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SUBJECT

**Insurance Pooling**

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REPORT BY

Finance Director & Treasurer, Mike Clayton

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PRESENTED BY

Finance Director & Treasurer, Mike Clayton

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### SUMMARY

- 1 This report provides an update on the establishment of pooling arrangements to provide cover for low value losses previously covered by insurance. The Authority is a member of the Fire and Rescue Indemnity Company Ltd (FRIC) which provides discretionary cover for these losses. The new arrangements commence on 1 November 2015.

### RECOMMENDATION

- 2 Members are asked to note the arrangements that have been put in place.

### BACKGROUND

- 3 In January 2014 Members agreed five recommendations that the Authority would support the establishment of an insurance pool to replace conventional insurance arrangement for the Authority. The recommendations were:
  1. Agree to the Authority participating in establishing a Fire & Rescue Authorities Insurance Pool; and Agree that the Authority becomes a full member of the company and authorises the Finance Director and Treasurer, and the Clerk to take all necessary steps to achieve this;
  2. Agree that the Authority utilises the pooling arrangement for its corporate property, liability, motor and other miscellaneous insurance requirements for a minimum period of three years through the pooling entity with effect from 1 November 2014, or thereafter subject to final arrangements being in place;

3. Agree to participate in a financial guarantee for supplementary premiums should claims against the pool exceed the funding available and authorise the Finance Director & Treasurer to take all necessary steps to achieve this;
  4. Agree that officers may serve as Directors of the pooling entity and that the Chief Fire Officer or their nominee be empowered to represent the Authority's interests at any formal meetings of the pooling entity and to vote on its behalf; and
  5. Agree to waive the Authority's existing procurement rules that would require competing bids for the provision of insurance services to allow for the provision of cover for losses through the pooling company.
- 4 The arrangements have now been completed and the new pooling entity commenced providing cover from 1 November 2015. The participating Authorities are:
- Bedfordshire Fire and Rescue Authority
  - Cambridgeshire and Peterborough Fire Authority
  - Cheshire Fire Authority
  - Devon and Somerset Fire and Rescue Authority
  - Essex Fire Authority
  - Kent and Medway Fire and Rescue Authority
  - Hampshire Fire and Rescue Authority
  - Leicester, Leicestershire and Rutland Combined Fire Authority
  - Royal Berkshire Fire Authority

#### **POOL MANAGEMENT**

- 5 A procurement process to identify a manager for the insurance pool was carried out in late 2014. The successful bidder was Regis Mutual Management Ltd, a firm that specialises in the management of pooled insurance arrangements. The activities to establish the pool and the new claims handling arrangements started in April 2015 and delivered a completed solution by 1 November.

#### **FEASIBILITY STUDY**

- 6 As part of the contract to establish the pool there was a requirement to re-visit the feasibility study to ensure that the decision made in early 2014 was still valid. This work was completed in August 2015 and produced similar results to the original feasibility study. The financial projections for the pool, based on the previous seven years claims data are shown below:

	<b>Years 1-7 Average £'000s</b>
CONTRIBUTIONS	3,980
INVESTMENT INCOME	8
TOTAL INCOME	3,988
EXCESS & AGGREGATE INSURANCE	1,301
RETAINED CLAIMS	1,506
OPERATING EXPENDITURE	668
TOTAL EXPENDITURE	3,475
Average Surplus	513

- 7 Initial contributions have been set using a methodology similar to that applied by the out-going insurer (Zurich). In future years authorities with lower level of claims will see a reduction in their contributions.

### **POOLING AND INSURANCE ARRANGEMENTS**

- 8 There are two levels of retention for a claim before the underlying insurance arrangements are required. Firstly each Authority has a level of deductible – these are £50k for motor claims and £20k for liability claims for the larger Authorities including Essex and £5k for motor claims and £1k for liability claims for smaller Authorities.
- 9 The second level is within the pooling company. The pool will retain the first £100k of each property claim, £200k of each liability claim and £500k of each motor claim. Amounts above this level will be met by the underlying insurance policy. In addition there is an aggregate level of retention across all classes of insurance in the pool. This is set at £2m per annum and claims above this level will be met by the aggregate insurer.

### **RE-INSURANCE**

- 10 Contracts for the excess and aggregate layers have been agreed. The covers provided are listed below:
- Motor – Equity Red Star
  - Liability, Property – Builders Direct SA
  - Aggregate – Builders Direct SA
- 11 The legal requirement for insurance covers from licenced insurers will be met by Equity Red Star (for Motor) and Builders Direct SA (for Employers Liability). Builders Direct SA is a Luxemburg based insurance company keen to develop UK business and support pooling arrangements. Equity Red Star is an established UK motor insurer.

### **CLAIMS**

- 12 All claims management will be handled by Regis as part of the contract for pool management. This will give authorities a closer control over claims and by developing new systems there will be better claims information available to drive

future risk management activity. All authorities will have direct access to the claims system and all claims, including those below the authority deductible level will be recorded to ensure a single database of the claims experience for each authority.

## **GOVERNANCE**

- 13 The company (Fire and Rescue Indemnity Company Ltd) will be controlled by five director appointed by the members. The initial appointments comprise a range of experience and expertise. The Board will be supported by the Pool Managers and have access to independent advice when necessary. The board members are:

- Gavin Chambers (Head of Finance/Treasurer, Bedfordshire)
- Mike Clayton (Finance Director & Treasurer, Essex) – Chairman
- Richard Feltham (Corporate Governance & Risk Manager, Kent)
- Rebecca Leigh (Assurance & Compliance Officer, Hampshire)
- Sue Nugent (Insurance & Risk Manager, Devon & Somerset)

## **RISK MANAGEMENT IMPLICATIONS**

One key driver for the move towards a pooling arrangement to replace conventional insurance is to gain a benefit from improvements in risk management. Within the consortium of nine fire and rescue authorities there has been a focus on improving risk management and learning from each other since the group first started in 2006. This focus continues and the consortium meetings to focus on risk management will continue.

The pooling arrangement does bring in exposure to a wider range of risks across multiple authorities, but this is balanced by the potential savings from improved risk management – these savings will accrue to the authorities, in the past these benefits were retained by the insurer. The underpinning insurance covers limits the risk of exposure.

## **FINANCIAL IMPLICATIONS**

The numbers and value of claims has been falling. This is not reflected in insurance premiums. The proposed approach will provide a more balanced view of costs, better consistency, and provide clearer links between claims costs and premiums.

## **LEGAL IMPLICATIONS**

The company structure, Memorandum and Articles of Association have been constructed to ensure that it meets the requirements of the Public Contracts Regulations 2015 SI 2015/102. This brings into UK law a principal, known as the Teckal rule whereby the Authority does not have to follow European procurement rules if it is contracting with a local authority controlled company.

## **ENVIRONMENTAL AND EQUALITIES IMPLICATIONS**

There are no direct environmental or equalities implications from this paper.



<b>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
<b>List of background documents</b>	
Proper Officer:	Finance Director & Treasurer, Mike Clayton
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