

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



Audit, Governance and Review Committee

14:00	Wednesday, 21 January 2015	Fire HQ,
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Quorum: one third of the Committee's membership (5)

Membership

Councillor John Knapman
Councillor Barry Aspinell
Councillor Alan Bayley
Councillor Graham Butland
Councillor Michael Danvers
Councillor Andrew Erskine
Councillor Carlo Guglielmi
Councillor Ivan Henderson
Councillor Paul Honeywood
Councillor Michael Hoy
Councillor Tom Kelly
Councillor Maggie McEwen
Councillor Colin Seagers
Councillor Peter Wexham
Councillor Andy Wood

Chairman

**For information about the meeting please ask for:
Judith Dignum (Committee Services Manager, Essex County Council)
03330134579 / 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.

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Part I

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

		Pages
1	Apologies and Substitution Notices The Clerk to report receipt (if any)	
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 To approve as a correct record the minutes of the meeting held on 8 October 2014.	5 - 10
4	Internal Audit Progress Report To consider a report by the Finance Director and Treasurer (EFA/005/15)	11 - 16
5	Audit Recommendation Report on Progress Against Action Plans To consider a report by the Finance Director and Treasurer (EFA/006/15).	17 - 24
6	Audit Reports To consider a report by the Finance Director and Treasurer (EFA/007/15).	25 - 58
7	Organisational Performance Report To consider a report by the Director of Human Resources and Workforce Development (EFA/008/15).	59 - 66
8	Budget Review November 2014 To consider a report by the Finance Director and Treasurer (EFA/009/15).	67 - 74
9	Draft Budget for 2015-16 To consider a report by the Finance Director and Treasurer (EFA/010/15).	75 - 96
10	Treasury Management Strategy Mid-Year Report To consider a report by the Finance Director and Treasurer (EFA/011/15).	97 - 108

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| 11 | Business Continuity
To receive a report by the Finance Director and Treasurer (EFA/012/15). | 109 - 114 |
| 12 | Pension Governance
To consider a report by the Director of Human Resources and Workforce Development (EFA/013/15). | 115 - 122 |
| 13 | Date of Next Meeting
To note that the next meeting of the Committee will take place on Wednesday 22 April at 2.00pm. | |
| 14 | 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. | |

Part II

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.

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| 15 | 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. |
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ESSEX FIRE AUTHORITY
MINUTES OF THE MEETING OF THE AUDIT, GOVERNANCE & REVIEW COMMITTEE
HELD ON
WEDNESDAY 8 OCTOBER 2014 AT 14:00 HOURS

Present:

Councillor A Bayley
Councillor I Henderson
Councillor J Knapman (Chairman)
Councillor C Seagers
Councillor A Wood

Councillor C Guglielmi
Councillor M Hoy
Councillor M McEwen
Councillor P Wexham

The following Officers were present in support throughout the meeting:

Deputy Chief Fire Officer, Adam Eckley
The Finance Director and Treasurer, Mike Clayton
Assistant Chief Fire Officer, Safer and Resilient Communities, Paul Hill
Assistant Chief Fire Officer, Operations, Dave Bill
Director of HR and OD, Lindsey Stafford-Scott
Mr Charles Kerr, Treasurer, Kent Fire & Rescue Service
Ms Alison Kilpatrick, Kent Fire & Rescue Service
Mr Dan Harris, Baker Tilly (Internal Auditor)
Deputy Clerk to the Fire Authority, Shirley Jarlett.

Minute Secretary, Linda Boar

116. APOLOGIES FOR ABSENCE AND SUBSTITUTION NOTICES

Apologies were received from Councillors Aspinell, Butland, Danvers, Erskine and Kelly. Apologies were also received from the Chief Fire Officer David Johnson and the Service Solicitor Roy Carter.

117. DECLARATIONS OF INTEREST

There were no declarations of interest made by Members in respect of items included on the agenda at this stage of the meeting.

The Deputy Chief Fire Officer declared an interest as having previously been an employee of Kent Fire and Rescue Service for over 20 years.

118. MINUTES

The Committee received the minutes of the meeting held on 16 July 2014.

MATTERS ARISING

There were no matters arising.

Resolved:

It was resolved that:

1. The minutes be confirmed and signed as a correct record by the Chairman.

119. PRELIMINARY ENQUIRY INTO THE TREATMENT OF PENSION INJURY PAYMENTS WITHIN THE FIRE FIGHTERS PENSION SCHEME

The Deputy Chief Fire Officer (DCFO) introduced the paper EFA/080/14 saying that the full EFA had requested that this matter be considered by the Audit Governance & Review (AG&R) committee when Charles Kerr (CK) could be asked to provide a report into an investigation he had carried out into this matter and address Members with his findings. CK gave a short précis and context of the matter and thanks were given to him for the document provided which gave Members full detail. Members were advised that there are now twelve other Fire Authorities that had been affected in a similar manner to that of the EFA.

Members raised the point of further investigations being undertaken but CK put to Members that any further investigation would be costly and would not achieve any benefit for the Authority; the length of time that has passed would prove difficult to examine in a meaningful manner and to attempt to raise an insurance claim would be fruitless because the Authority has not actually lost any money.

Councillor Wexham wanted assurances that nothing of this nature will arise in the future. The DCFO stated that higher levels of assurance come with higher costs and risks must be mitigated. The Director of HR & OD (D,HR&OD) is carrying out a thorough review of all pensions issues and gave some further detail at this point; Members will be provided with a full report once this work is completed.

Councillor Guglielmi confirmed his agreement to the sentiment put by CK and the DCFO.

The discussion then moved on to the fact that the EFA did experience a great number of pension injury payments at the time in question but Members were reassured that since that time the number of pension injury payments has disappeared. Furthermore at the time of this matter arising Essex County Council provided financial services to the Authority with input from the current Finance Director and Treasurer (FD&T) of this Authority but who cannot evidence what detail was used at that time.

Councillor Hoy questioned whether the figures within item 8 of this agenda was connected to this matter with officers advising that there was no connection.

Councillor Wexham showed his concern that Members were only able to consider what is put before them and cannot audit what they do not view and the request that an internal audit is carried out in conjunction with the Risk Management report; the Internal Auditor present confirmed that this work is planned.

Councillor Guglielmi stated that it would be good to have an idea of the amount in the pension account with the FD&T stating that there is approximately £10m made in payments per annum and approximately £450m of future payments adding that the matter is complex.

Councillor Henderson spoke about the involvement of the pension's regulator and covenants.

In summing up and providing the resolution below Councillor Knapman thanked CK and his team for the professional and independent work they had undertaken.

Resolution:

It was resolved that Members:

1. Note the content of the report.
2. Accept the judgement that there is no need to pursue this matter any further acknowledging that this Authority is aware what went wrong and to pursue this further would not provide any greater detail and it was felt prudent not to spend any more funds in this area.
3. Agree that this committee directs the DCFO to approach all UK Fire & Rescue Services (FRS) affected by the accounting treatment of pension injury payments to consider joint representations to Government on the amount and timing of any repayments citing the Government's liability for keeping Fire Authorities properly informed.
4. Agree that a proactive approach of auditors to pay attention to changes to accounting procedures is adopted.
5. Consider that improved communications are required amongst financial professionals in the UK FRS and directed the FD&T to explore ways of improving communications between and within the Fire Finance Network to assure Members that knowledge of accounting issues/mistreatment are raised at the time they are identified.

120. AUDIT REPORTS

The FD&T introduced this item EFA/081/14 and provided a commentary from the report provided.

The D,HR&OD then updated Members of the most recent developments since the audit report was written in the area of SAP advising that recruitment and training is on-going which will aid a better working practice.

Councillor Guglielmi asked for advice of the implementation date and whether there is enough capacity for this work to be successfully rolled out with the D,HR&OD stating that it was expected that this project will be completed within the next sixteen months.

Councillor Hoy spoke about the limitation of scope of this work and the appropriateness of the payroll audit.

Resolution:

It was resolved that Members:

1. Note the content of the report.

121. AUDIT RECOMMENDATION – REPORT ON PROGRESS AGAINST ACTION PLANS

The FD&T provided a commentary to the paper provided EFA/082/14.

Councillor Knapman raised the question of what can be done to encourage all managers to submit their Business Continuity plans in a timely fashion. The FD&T will provided a separate report to this committee in the future but Officers did highlight that with the recent periods of industrial action causing some disruption to business the submission of these plans have been impacted however Members were advised that some Business Continuity exercises have still taken place.

Resolution:

It was resolved that Members:

1. Note the contents of this report.

122. INTERNAL AUDIT PROGRESS REPORT

A commentary to the paper provided EFA/083/14 was made by the Internal Auditor present. Members were advised that this work was collated in conjunction with various clients of the auditing firm.

Councillor Knapman raised the success of the Risk Workshop that had taken place that morning and also requested that the report in future be printed in a larger font.

Resolution:

It was resolved that Members:

1. Note the contents of the report.

123. ORGANISATIONAL PERFORMANCE REPORT – AUGUST 2014

The D,HR&OD provided a summary of the paper submitted EFA/084/14.

Councillor Henderson showed an interest in the Retained Duty System (RDS) and requested information on the effect of recruitment in that area. The Assistant Chief Fire Officer, Operations undertook to share with Members contact details of local officers should Members want to make direct contact with their local RDS station.

Councillor Hoy was interested to see the terms and conditions and what training is required for RDS personnel with the D,HR&OD stating that training is generally between two to three hours per week and undertook to provide Members with a full report at a future meeting of this committee.

Councillor Wexham wanted to know how many hours were lost through industrial action and this too will be provided to the full EFA in due course with Councillor Knapman highlighting that it would be useful for Members to know this detail and this will allow them to understand the scale of the problem.

Resolution:

It was resolved that Members:

1. Note the contents of the report.

124. TRANSPARENCY & CORPORATE PROCUREMENT CARD

Members were advised that all transactions in this area were published on the Authority's website but it was felt that this type of information is brought to this committee on an annual basis to provide greater scrutiny with the FD&T advising that this will be provided to this committee as requested; EFA/085/14 refers.

Councillor Knapman shared with those present the way in which corporate procurement cards are used in other local authority organisations.

Councillor Guglielmi raised the question of whether these cards are actually required with officers explaining how the process works within this Authority. Members were advised that line management approval is required for any expenditure and following a question raised by Councillor Wexham Members were advised that the level of credit approval is for the finance team to consider in the first place.

Councillor Hoy stated that he would like to see an internal audit carried out with the internal auditor present stating that this is already planned on a three to five year interval.

Resolution:

It was resolved that Members:

1. Note the contents of the report.
2. Expenditure on Corporate Procurement Cards be provided to this committee on an annual basis.

125. BUDGET REVIEW – AUGUST 2014

Officers confirmed, following Councillor Knapman's enquiry that the pensions injury figures are not included in the report provided EFA/086/14 with the FD&T stating that until the full position is known in this regard he did not want to include any detail therein.

Expenditure during strike periods for operational cover was raised with Members being advised that during these times more staff are required therefore costs are higher.

Councillor Knapman wished to know how the Service decided where to buy fire appliances from with the FD&T advising that the Authority held a mini-competition using a framework developed by The Consortium.

Acknowledgement was made of the prudent financial management being undertaken at this time.

Resolution:

It was resolved that Members:

1. Note the contents of the budget report.

ANY OTHER PART 1 BUSINESS

The Chairman was not informed of any other part 1 business from Members or Officers.

Meeting closed – 15.20

Date of next meeting – Wednesday 21 January 2015

Signed.....

Chairman, 21 January 2015

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

4

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/005/15

SUBJECT

Internal Audit Progress Report

REPORT BY

The Finance Director and Treasurer, Mike Clayton

PRESENTED BY

The Finance Director and Treasurer, Mike Clayton

SUMMARY

To consider the update provided by Baker Tilly on progress against the internal audit action plan, attached as an appendix.

Essex Fire Authority

Internal Audit Progress Report

Audit, Governance & Review Committee meeting: January 2015



Introduction

The internal audit plan for 2014/15 was approved by the Audit, Governance and Review Committee on the 23 April 2014. This report provides an update on progress against that plan.

We have issued three final reports since the last Committee meeting.

We have also delivered the risk workshops, which will be used to inform our risk management opinion at the year end.

Summary of Progress against the 2014/15 Internal Audit Plan

Assignment Reports considered today are shown in bold	Original Timing	Status	Opinion	Actions Agreed (by priority)		
				High	Medium	Low
Human Resources – Transactional Process (1.14/15)	Q1	Final Report	Amber / Red	2	1	3
Fleet Management (2.14/15)	Q2	Final Report	Green	0	0	0
Communications (3.14/15)	Q2	Draft Report issued 10 Dec 2014				
Risk Management Workshop	Q3/4	October 2014	Completed			
Fuel Cards (4.14/15)	Q2	Final Report	Amber / Green	1	0	1
Performance Management (5.14/15)	Q2	Final Report	Amber / Green	0	2	2
Risk Maturity	Q3	Revised timing March 2015				
Budgetary Control & Financial Planning	Q2	Fieldwork In progress				
Business Planning	Q4	Fieldwork In progress				
Key Financial Controls	Q4	Fieldwork In progress				
Follow up	Q4	February 2015				

Other Matters

Key Findings:

The Audit, Governance and Review Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion. We have not identified any issues as a result of our work to date that will impact our annual report.

No common weaknesses have been identified within our reports so far for 2014/15.

Planning and Liaison:

Internal Audit were requested by management to amend the original proposed timing of a number of audits due to the industrial action which resulted in delays in the completion of several audits against the originally agreed timescales.

Information and Briefings:

We have issued two update electronically since the last Audit, Governance & Review Committee these included areas on:

Emergency Services News Briefing October 2014

- Fire Incidents Response Times: England, 2013-14

Emergency Services News Briefing December 2014

- Emergency Services Collaboration – The Current Picture
- Future Control Room Services Scheme: Summary National Picture of Fire and Rescue
- Ex-Fire Regional Control Centres: Marketing and Disposal Summary Update

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

Audit, Governance & Review
Committee

AGENDA ITEM

5

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/006/15

SUBJECT

Audit Recommendation – Report on Progress Against Action Plans

REPORT BY

The Finance Director & Treasurer, Mike Clayton

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

This paper reports on the progress against the action plans developed by the Service in response to audit reports. Items reported as completed in the previous quarter's report have been deleted from the table.

RECOMMENDATION

Members of the Audit Sub Committee are asked to review the progress.

BACKGROUND

This report brings forward the progress made by the Service in response to Audit recommendations. It includes those made by the Audit Commission in their annual audit letter, and in internal audit reports. The recommendations in the review of Risk Management are the subject of a separate action plan and a progress report will be made to the next meeting of the Committee.

RISK MANAGEMENT, LEGAL, FINANCIAL, ENVIRONMENTAL & EQUALITY IMPLICATIONS

There are no risk management, legal, financial, environmental or equality implications from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper: Table of Recommendations	
Proper Officer:	Mike Clayton
Contact Officer:	The Finance Director and Treasurer Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 mike.clayton@essex-fire.gov.uk

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Business Continuity	All Business Continuity Plans should be submitted to the Risk and Business Continuity Team in a timely manner to enable a regular review.	This is a perennial problem, somewhat worse this year. Department Managers will be debriefed on this Audit to inform them of the findings and recommendation. The SDB and the SMB will be asked to endorse the recommendation	Risk & Business Continuity Manager Delayed from April 2014 to December 2014	Completed
Business Continuity	Each department should assure itself that its key suppliers or partners that support a critical activity have effective business continuity management arrangements in place and update their Business Continuity Plans accordingly.	Department Managers will be debriefed on this Audit to inform them of the findings and recommendation. The SDB and the SMB will be asked to endorse the recommendation.	Risk & Business Continuity Manager Delayed from April 2014 to December 2014	Completed
Safer Communities	As part of the Safer Communities Strategy review, the draft should be submitted to the Activ8 Community Volunteers for consultation.	The Activ8 forum was set up as a basis for consultation. This has been replaced by a wider ranging volunteer programme. We will therefore liaise with our volunteers when we review and update the strategy in the Autumn of 2014. This update will be published and made available to the public by 28th February 2015.	SDO Safer Communities Feb 2015	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
ICT General Controls	Management should ensure that IT policies are periodically reviewed, in particular the Information Technology Acceptable Use Policy, and all IT policy documents should identify the date for review and contain a review history.	This can be reviewed as part of ensuring the CoCo for Airwave etc. as part of the Control relocation project	Head of ICT December 2014	Completed
ICT General Controls	All network users should formally agree that they are aware and will comply with the ICT Acceptable Use Policy.	Agreed in principle to automate. Implementation deferred until resources available after completion of the Control Project.	Head of ICT December 2015	Delayed
Follow Up Review	Fleet Management - Local Station Managers should be required to verify that daily checks have been conducted and recorded within vehicle log books.	This is being raised at meetings between the fleet department and local managers and will be detailed in the Service level agreement under review with Operations	Engineering Manager December 2014	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Follow Up Review	Property - The Services should review the process to record and monitor if repairs are completed within the required timescales. This could then be utilised to determine whether job sheets have been provided and use this as a basis to approve payments for repairs conducted by contractors.	Significant investment has been agreed by the Authority for an integrated Property Software Solution that will cover the RAG assessment of works. There is also an interim measure in place on orders. 10% checks of work are now formalised the sample will be increased only to the extent that it is cost effective to do so. A new system will enable job sheet timeframes to be captured and monitored.	Property Services Manager December 2014	On Track
Follow Up Review	Reporting should be undertaken using the system Dream to monitor ordering patterns that may be indicative of disaggregated ordering practice. It is recommended these be run twice a year, unless major issues are uncovered.	Agreed	Purchasing & Supplies Manager December 2014	On Track
HR Transactional Processes	We would recommend that a workshop is run to identify the HR Transactional processes and to identify opportunities for process simplification and automation.	We will be undertaking a complete review of processes to ensure they remain fit for purpose, under the SAP Next Steps Project.	Head of HR March 2016	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
HR Transactional Processes	In relation to the aspect of Frequently Asked Questions (FAQs) there is a need for an overhaul of the current system.	<p>The review of processes will include reviewing the FAQs as a dependency and will include all relevant links</p> <p>Where appropriate, the team will signpost staff to the FAQs – an additional sentence will be added to the intranet site to guide staff to do this and the team will ask them if they have accessed the FAQs if they call and send a link to the FAQs if they have e-mailed.</p> <p>A process will be introduced to review requests received that cannot be answered via an existing FAQ to introduce new FAQs where appropriate.</p>	Head of HR & OD July 2015	On Track
HR Transactional Processes	<p>The training delivered to the HR Team should be formalised to ensure the HR team are fully aware of how to fully utilise the SAP System. The Training should be enhanced to include further technical SAP training. This could be delivered by;</p> <p><input type="checkbox"/> Outsourcing specialist SAP training; or</p> <p><input type="checkbox"/> Identifying whether a SAP specialist could be employed by the Authority.</p>	SMB have recently approved a business case re next steps for SAP which will address some of the current issues including reporting, a review of training required and a full training programme for all relevant staff. It is expected that this training will be provided in-house from the current Project Manager who is working on the SAP development programme. The Project Manager is also exploring options for SAP reporting and upskilling.	Head of HR & OD July 2015	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
HR Transactional Processes	<p>The Authority should develop and adopt a more functional and less manually intensive process for the receipt and management of queries. There will be a need to ensure that a structured and automated workflow/ call system is established to manage the process and include as a minimum;</p> <ul style="list-style-type: none"> <input type="checkbox"/> A Senior Responsible Officer; <input type="checkbox"/> RAG rating; <input type="checkbox"/> Timescales per query. <p>The reporting functionality should also be reviewed to determine whether automated reports can be run, to ensure accuracy and use of information to inform decision making.</p>	<p>SAP specialist/helpdesk operative would be involved in workflow/call system, call logs, response rates – if this does sit within IT – will need joint working</p> <p>RAG rating/triage for calls/emails will be introduced as part of process review and improvement – this will include SLAs/timescales for responding.</p>	<p>Head of HR & OD Head of ICT June 2015</p>	On Track
HR Transactional Processes	<p>Care should be taken to ensure that all second checking of documents is undertaken before issue. In addition we would recommend that the Aide Memoire is updated to reflect the dip sampling undertaken.</p>	<p>We have a new HR Support Team Manager (Angela Mayers) who will be ensuring that a robust first check is sufficient.</p>	<p>Head of HR & OD October 2014</p>	Completed

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
HR Transactional Processes	<p>The Authority should undertake a 'Phase Two' of the HR Transaction Project to ensure the original PID is delivered.</p> <p>A separate Project Initiation Document (PID) should be drafted for the Phase Two piece of work and the Benefits identified within the original PID should be substantiated.</p> <p>The measures must also be quantified to ensure the Authority can identify whether all benefits have been realised.</p>	<p>The next steps project for SAP will address these issues. This is expected to be a 12 – 18 month project, so benefits realisation will be subject to the project milestones which are yet to be scoped and agreed.</p>	<p>Head of HR & OD March 2016</p>	On Track

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit Governance &
Review Committee**

AGENDA ITEM

6

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/007/15

SUBJECT

Audit Reports

REPORT BY

The Finance Director & Treasurer, Mike Clayton

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

This paper provides three internal audit reports for review.

RECOMMENDATION

Members of the Committee are asked to note the contents of the reports.

BACKGROUND

This is a covering paper for the following external and internal audit reports being submitted to the meeting of the Audit, Governance & Review Committee. The following reports are to be considered at the meeting;

Audit Area	Audit Conclusion
Fleet Management	Substantial Assurance
Performance Management	Reasonable Assurance
Fuel Cards	Reasonable Assurance

RISK MANAGEMENT IMPLICATIONS

Internal audit reports form part of the risk management arrangements for the authority. Progress on the implementation of agreed recommendations is also reported to the Committee.

LEGAL, FINANCIAL, ENVIRONMENTAL AND EQUALITY IMPLICATIONS

There are no relevant implications from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper: Internal Audit Report Fleet Management Internal Audit Report Performance Management Internal Audit Report Fuel Cards	
List of background documents (not attached):	
Proper Officer:	Mike Clayton
Contact Officer:	The Finance Director and Treasurer Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 mike.clayton@essex-fire.gov.uk:

Essex Fire Authority

[Internal Audit Report \(2.14/15\)](#)

FINAL

Fleet Management

22 December 2014

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Debrief meeting	29 October 2014	Auditors	Dan Harris - Head of Internal Audit Suzanne Lane - Senior Manager Alan Grisley - Assistant Manager Grant Spilsbury – Assistant Manager Kim Hancock – Analyst
Draft report issued	3 December 2014		
Responses received	22 December 2014		
Final report issued	22 December 2014	Client sponsor	Glenn McGuinness - Deputy Director of Finance
		Distribution	Glenn McGuinness - Deputy Director of Finance Peter Warner - Engineering Manager

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1 Executive Summary

1.1 Introduction

An audit of Fleet Management was undertaken as part of the approved internal audit periodic plan for 2014/15.

Essex County Fire & Rescue Service operates a fleet workshop at Lexden where maintenance and servicing is carried out on the Authority's operational equipment, fleet of fire appliances, specials and other vehicles. The service use the 'MIS' system to maintain vehicle records electronically, this maps out when the vehicle services are due and when inspections have been carried out. The fleet currently consists of 338 Vehicles and 656 items of equipment. The overall responsibility of fleet management is down to the Engineering Manager, who is supported by an Assistant Engineering Manager, then a Transport Manager and a Workshop Manager.

A Vehicle and Equipment Asset Management Strategy has been set out for 2013-2017 to establish the direction that the fleet management will follow, in maintaining, managing and adding to the fleet. The Service has agreed to follow a joint venture with other Fire Authorities, in order to procure a regional pumping appliance in order to gain greater value for money.

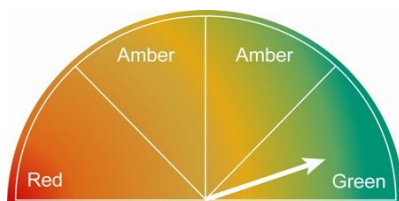
The Vehicle and Equipment Asset Management Strategy was due for a formal review and appraisal against the progress made to date in July 2014; however this has been delayed due to waiting for the outcome of the joint procurement exercise and placing the order for appliances for the next four years. This order has now been placed but the specification is still being defined. In addition, the life cycle of the appliances has been assessed and has been changed from 13 years to 15 years.

The Service adhere to Manufacturer's recommendations on service schedules and service content and the Chief Fire Officers Association (CFOA) Transport Officers Group Best Practice Manual are followed for the Maintenance requirements for the different types of vehicles.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	The Service manages its fleet to ensure both operational and support functions have access to vehicles and equipment that are fit for purpose, safety and legally compliant.
Risk	The Service is unable to respond to emergencies appropriately due to an inadequate fleet of vehicles and is at risk from legal challenge if vehicles and equipment are not maintained and controlled in accordance with Road Traffic legislation.

1.2 Conclusion



Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Effectiveness

Fleet Workshops are currently achieving 92% compliance with its urgent defects performance measure of attending within three hours.

Design of control framework

We found that the following controls were designed adequately;

- The Vehicle and Equipment Asset Management Strategy has been developed to provide focus for the activities of the Fleet Services Department in support of the wider organisational goals. Our review of the Strategy confirmed that it is comprehensive and fit for purpose.

The Strategy incorporates the areas of procurement, servicing, maintenance, insurance and disposal. In addition, the Strategy incorporates the CFAO's best practice for Fleet Management in readily available to all staff members.

- The Service utilises MIS as its system Fleet Management System. The system is designed to capture all of the information about the Service's fleet including individual's vehicle's purchase, service and defect history. During the audit we completed a walkthrough of the system in order to confirm that it was fit for purpose and our sample testing confirmed that the system was being effectively and consistently used to record the Service's fleet history.
- Procurement of fleet assets is undertaken in line with the financial regulations of the Authority, UK and European regulations and statutory instruments appertaining to public contracts. Procurement exercises are in accordance with the EFCRS procurement strategy. Where possible and to ensure best value, procurements should be made through national, regional or collaborative frameworks, where frameworks are not available tendering will mirror best practice as detail in the procurement strategy.
- Additions or changes to the fleet follow the above method and require a business case which includes the rationale for the additional resources. This ensures that a formal justification is evidenced and placed in context of this Strategy and considerations of alternative methods of provision are considered prior to expenditure being incurred.
- Through our sample testing of 15 vehicles we confirmed that the vehicles were procured using the NPFA Framework which provided the Service with a 30.5% discount. Furthermore, a detailed business cases that provided the justification for the purchases were produced and approved by the Deputy Chief Fire Officer.
- Essex is the leading Authority on the Fire & Rescue Service Eastern Region - regional pumping appliance procurement. The group currently consist of the following authorities:
 - Essex
 - Cambridgeshire
 - Bedfordshire
 - Hertfordshire
 - Norfolk and
 - Suffolk
- The group have agreed to work together to specify and procure a generic type pumping appliance in order achieve greater value for money and through economies of scale. To date Essex and Bedfordshire have agree a generic type pumping appliance and have started procuring their appliance needs for the next four years. This approach has provided the Service with greater negotiating powers and maximise their value for money.
- Commissioning, servicing, repair and maintenance of fleet assets as applicable is carried out in accordance with the guidelines of the CFAO Best Practice manual for fire service fleet maintenance, manufacturer's guidance, and national standards and also in accordance with the Fleet Workshops scope of accreditation within its ISO9001:2008 Quality System.
- Each asset type is allocated an appropriate service plan and inspection schedule dependent on the nature of the Vehicle and how it is used. This schedule is set up within the Fleet Management or the Equipment Management MIS systems and is such that the closure of one job card of a specific job type will automatically schedule the next due inspection or service according to pre-set plans. Prior to the start of each month a job list is generated from the MIS system and passed to reception to make the booking.
- Through sample testing of 15 Fleet Assets we confirmed that each had a schedule of works in place and was being serviced in line with its programme and the information was being captured on the MIS system. In addition, a review of the MIS system at the time of review noted that no Appliances were overdue a safe inspection.
- Fleet Services seek to reduce down time of critical assets due to defects by continued delivery of 24/7 response service to end users. To this end following defect response categories have been developed:
 - One Urgent Day defect- Attend within 3 hours
 - One Urgent out of hours- Attend within 3 hours
 - Two- non urgent defect- attend within 24 or agreed between workshops & OIC
 - Three- non urgent- next time call at station or at next service.

All defects are reported to control who pass the concern to workshop who then enter it into a workbook and a job card is produced and given an engineer to correct the defect. Once completed the end date is added to the log book. The log and jobs cards are used to populate MIS and Defects spreadsheet. Through our sample testing of defects reported to workshop we confirmed that each defect was accurately and consistently captured on the MIS and Spreadsheet reflect the source data held on the job cards and log book.

- The Service currently insures its fleet vehicles with Zurich Municipal. The insurance policy permits the use of the fleet vehicles in regards to the Service's business, social domestic and pleasure purposes. The Service is required to provide Zurich with a full list of fleet vehicles. We obtained and reviewed the Service's current Insurance certificates and confirmed that Fleet vehicles are insured until 31st October 2015.

We confirmed that the latest fleet list was provided to Zurich and confirmed that it is run every Monday from the MIS system and submitted to the Transport Manager who reviews ensure that all of the vehicle are recorded. In addition at the time of the audit we fully reconciled the fleet list back to the insurance coverage and confirmed that it covers all current fleet assets.

- The Service currently replaces vehicles and equipment in accordance with an agreed and planned life cycle and to a predetermined renewals programme as detailed in the asset file and the Strategy. Through sample testing we confirmed that each of Vehicle had reach the end of its useful life as per the Strategy, all were sold via a public auction as per the Financial regulations and proof of the sale and payment was retained within the Vehicle's file within the Fleet Management Office and the MIS system was updated accordingly.
- The Fleet management monitors their KPI's on a monthly basis, to ensure that maintenance, repairs and servicing are carried out timely and efficiently. The areas which are monitored are;
 - Downtime
 - Defects
 - Defect Response times

The Fleet Tactical Forum is held on a bi-monthly basis to discuss matters relating to Fleet management. Meetings are held ensuring that all KPI's are discussed in the Forum meetings and staff involved is aware of issues. The FTF meetings are attended by; Fleet Services, Workshop, Transport, Training, Fire Safety, Purchasing and Operations. Action points for faults found are agreed upon and updated in the meetings. The FTF presently reports up into the Senior Management Board, prior to this they reported to the Vehicle and Equipment Asset Management Group. From a review of the meetings minutes we confirmed that the KPI's relating to; Downtime, Defects, and Defect Response Time are discussed and performance challenged.

Application of and compliance with control framework

Through the course of the audit our testing confirmed that the control framework was effectively applied and complied with. No areas of weakness have been identified that have resulted in a recommendation being made.

1.3 Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- Testing was on a sample basis only.
- We have not provided an opinion as to whether the correct or appropriate vehicles have been purchased.
- We have not provided an opinion as to whether the vehicles are in a fit for purpose condition.
- In addition, our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist. It should not, therefore, be considered as a comprehensive review of all aspects of non-compliance that may exist now or in the future.

The approach taken for this audit was a Risk-Based Audit.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

Risk: The Service is unable to respond to emergencies appropriately due to an inadequate fleet of vehicles and is at risk from legal challenge if vehicles and equipment are not maintained and controlled in accordance with Road Traffic legislation.	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	0	0
Total	0	0	0

1.5 Additional Feedback**Good Practice Identified During the Audit**

- It is evident that the Authority follow the CFAO's best practice for Fleet Management, with the Vehicle and Equipment Asset Management Strategy commenting on the use of this in key areas.
- All new purchases follow the same trail, all presented in a business case and procured via NPFA Framework and the purchase orders were approved by the Deputy Fire Officer.
- The MIS system plan has been set up to capture service plans and highlight when a service is required.
- Defects follow a robust path; all defects reported are logged, have corresponding job cards, MIS records and are present on the Defect spreadsheet.
- The latest fleet list is run every Monday from the MIS system and submitted to the Transport Manager, ensuring that all Vehicles are recorded.
- All relevant information is inputted into the system regarding disposals, and documentation was present to prove all sales were authorised by the Fleet Manager and were sold via public auction as per financial regulations. With all sale and payment proof retained in the Fleet management office.
- KPI data that was reported in the Fleet Technical Forum could be reconciled against the Defect, Defect response, and Downtime spreadsheets.

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
No recommendation raised during the review						

3 Findings and Recommendations

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

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	Risk: The Service is unable to respond to emergencies appropriately due to an inadequate fleet of vehicles and is at risk from legal challenge if vehicles and equipment are not maintained and controlled in accordance with Road Traffic legislation.				
	No areas of weakness identified.				

Essex Fire Authority

Internal Audit Report (5.14/15)

FINAL

Performance Management

22 December 2014

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Debrief meeting	26 November 2014	Auditors	Daniel Harris - Partner
Draft report issued	16 December 2014		Suzanne Lane - Senior Manager
Responses received	22 December 2014		Alan Grisley - Assistant Manager Anna O'Keeffe – Assistant Manager
Final report issued	22 December 2014	Client sponsor	Glenn McGuinness, Deputy Director of Finance Ben Pilkington, Performance Information Manager
		Distribution	Glenn McGuinness, Deputy Director of Finance

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1 Executive Summary

1.1 Introduction

An audit of Performance Management was undertaken as part of the approved internal audit periodic plan for 2014/15.

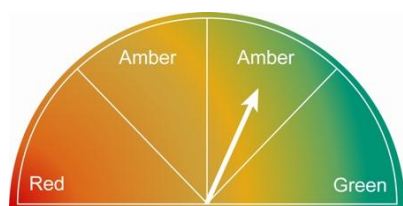
Essex County Fire and Rescue Service has in place a Service Strategy which has been approved by Essex Fire Authority and covers the five year period from 2014/15 to 2018/19. Each of the six Service Objectives within the Strategy is supported by between one and six success measures.

In order to monitor performance against these success measures, a range of performance indicators has been developed which record performance based on data taken from the Service's information systems. Performance data is collated centrally by the Performance Team and is reported on a monthly basis to the Strategic Delivery Board, and then to the Strategic Management Board and the Audit, Governance and Review Committee.

The audit was designed to assess the controls in place to manage the following objective and risk:

Objective	To ensure management have clear and accurate information to make informed decisions
Risk	Loss of Reputation

1.2 Conclusion



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

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

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Effectiveness

The performance figures for the sample of measures which we tested were as follows for the end of September 2014:

Performance measure	Outturn Sept 14	Target
Rate of deaths and injuries from primary fires	5.6	4
Appliance availability	85.8%	94%
Mobilisation	98%	Grouped indicator
Average days/shifts lost to sickness absence per person per year	8.6	8

We have confirmed that these figures reconcile to source data.

Design of control framework

We found that the following controls were adequately designed:

- A Service Strategy is in place which sets out objectives for the Service and how these will be measured. The Strategy was reviewed during the last financial year and came into effect from 1 April 2014. It covers the five year period 2014/15-2018/19.
- Targets were set by the Service with the aim of being in the top quartile of the Family Group 4 benchmarking group. The targets were approved by Essex Fire Authority.

- Definitions for all performance measures are held. These are either defined locally or remain the same as the old BVPI/National Indicator definitions as issued by the DCLG.
- Strategic Delivery Board (SDB) receives monthly organisational performance reports. Every third report is also reported to Strategic Management Board (SMB) i.e. they get the monthly report once a quarter, not a combined quarterly report. The Audit, Governance and Review Committee also receives the same reports as SMB, and an annual report is presented to the Fire Authority at the year end.
- The performance report described above is a RAG rated dashboard report which shows performance against target as:
 - blue (more than 10% better than target),
 - green (better than target by up to 10%),
 - amber (worse than target by up to 10%)
 - red (worse than target by more than 10%).

Performance is shown over a rolling 12 month period so that trends are easily visible. Each Performance Report is accompanied by a narrative report explaining performance figures and trends. Commentaries input by owners onto Actuate are used to compile the report.

- There is a facility on Actuate for managers to add commentary on their performance measures and also add actions to address any issues identified with the performance figure reported.

We also identified the following weakness with the design of the control framework and have made one **Medium** priority recommendation:

- We are advised that red performance measures (below target) should have a commentary, and also blue ones (performing above target) which are dropping, and that this should be updated each month, however this is not formalised in any guidance or procedure notes. There is also no formal guidance as to whether action plans and commentaries should be subject to review for reasonableness and for progress in completing the actions.

Application of and compliance with control framework

We found that the following controls were adequately applied and consistently complied with:

- We obtained a copy of the minutes of the Essex Fire Authority meeting on 4 December 2013 and confirmed that the Service Strategy had been approved.
- We obtained evidence of benchmarking that had been undertaken and confirmed in the minutes of the Essex Fire Authority meeting on 16 April 2014 that targets for most of the performance measures had been approved at that meeting. We also confirmed through review of the appropriate minutes that the target for Call Handling had been agreed by Policy and Strategy Committee on 17 March 2010 and that the current targets for mobilisation were agreed by the Audit, Governance and review Committee on 12 October 2011.
- We took a sample of four performance measures and confirmed for the performance indicators making up the measures that the targets agreed by EFA (or its subcommittees) were those recorded on Actuate and which were being worked to and reported against.
- For each of the sampled indicators we confirmed that:
 - Sickness absence
We obtained screen shots from the Actuate system which showed the figures from the system that had been used to calculate the performance figure for September (rolling 12 months). We obtained a copy of the spreadsheet containing the imported data from SAP and confirmed that the figures on Actuate could be traced to the SAP extract spreadsheet.
 - Total Appliance Availability
We obtained a copy of the spreadsheet into which data had been extracted from the Control system StatsNX. We confirmed that the calculation that had been done on the spreadsheet using this data matched the figure reported on Actuate.
 - Rate of Deaths/Injuries
We obtained the results of a Sequel lookup from the IRS system and, using the population figure on Actuate, confirmed that the resulting calculated figure corresponded to the figure reported on Actuate.
 - Call Handling

We obtained the results of the Sequel lookup from the Control system and recalculated the performance figure, which matched what was recorded on Actuate.

- Mobilisation - Whole time and Retained

We obtained the results of the Sequel lookups from the Control system and recalculated the performance figures, which matched those recorded on Actuate.

- We obtained the performance report presented at the October SDB meeting and confirmed that for each of the sampled indicators the figure reported was the same as recorded on Actuate (September outturn).
- Responsibility for each indicator is assigned to an Owner. As most indicators are reported by location, Owners are set for each location as well as at the top level.
- We tested that for each of the sampled PIs that ownership had been appropriately assigned.

We also identified the following areas of weakness with the control framework where we have made one **Medium** priority recommendation:

- We noted that for nine performance measures no performance was yet being reported and data was not yet being gathered.

We also made two **Low** priority recommendations in relation to the application of the control framework.

1.3 Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following limitations were agreed:

Limitations to the scope of the audit:

- Testing was undertaken on a sample basis only.
- We do not endorse a particular means of performance management. It remains the responsibility of the Authority and senior management to agree and manage information needs and to determine what works most effectively for the organisation.
- Our work does not provide an absolute assurance that material errors, loss or fraud do not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	1	0
Application of control framework	0	1	2
Total	0	2	2

Recommendations implemented since the previous audit in this area:

Date of previous audit: February 2013			
Assurance:	High	Medium	Low
Number of recommendations made during previous audit	0	4	0
Number of recommendations implemented	0	3	0
Recommendations not yet fully implemented:	0	1	0

We previously recommended that actions should be updated monthly including set completion dates and responsible officers assigned for each action. Whilst we have confirmed that actions are updated on Actuate, there is no process in place to assign actions or to monitor that actions have been completed. We have made a Medium priority recommendation.

1.5 Additional Feedback

Good Practice Identified During the Audit
For those performance measures where performance is shared by other Services, benchmarking data is included on Actuate alongside performance and targets. This allows Owners to immediately see not only how their area is performing against target but also against similar organisations.

We have also made the following suggestion that Essex Fire Authority may wish to consider:

Suggestions Made During the Audit
Management should consider whether the Terms of Reference for SDB and SMB should include the frequency of meetings. This was part of a previous recommendation, the remainder of which has been implemented.

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

Level of Assurance	Percentage of Reviews	Results of this Audit
Green	60%	
Amber/Green	20%	X
Amber/Red	20%	
Red		

Recommendations	Average number in similar audits	Number in this audit
Recommendations made	2.4	4

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	Management should ensure that the sickness figures are corrected and that there is a process in place to ensure the data is validated prior to be it being reported.	Low	Y	Already in place. Sickness data is already subject to re-checking throughout the year as the headline figure is affected by variations in recording of sickness such as late recording by managers. Each month the figures are re-run for the whole year to date.	Complete	BP
1.2	The Service should ensure that in order to be able to measure performance against the Service Objectives sufficient resources are directed to the processes to capture the data necessary.	Medium	Y	The structure of the department is being finalised, following that vacancies can be filled and the necessary resources will be in place to achieve the data capture.	April 2015	BP
1.3	Management should ensure that Ownership is correctly assigned for all performance measures.	Low	Y	This is a configuration issue of the performance management system. Ownership of the performance measures is not disputed and is identified within the business plans for individual departments.	Jan 2015	BP

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.4	<p>Management should produce a Data Quality guidance document for Owners of performance measures and users of the Actuate system. This should state responsibilities including:</p> <ul style="list-style-type: none"> Requirement for Owners to provide a monthly commentary, and on which measures (e.g. all, or only blue and red). Requirement for actions to be updated monthly and monitored for progress. A process should be put in place to enable to progress of actions to be monitored. Deadline for commentaries and actions to be added in time to meet reporting deadlines for SDB and SMB. <p>The guidance document could also include guidance on other matters such as:</p> <ul style="list-style-type: none"> Deadlines for submission of any data not gathered centrally. Responsibilities for data validation where manual data gathering or calculation is required. 	Medium	Y	A performance management framework is planned which will cover the areas described.	April 2015	BP

3 Findings and Recommendations

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

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Risk : Loss of Reputation					
1.1	Definitions for all performance measures are held. These are either defined locally or remain the same as the old BVPI/National Indicator definitions as issued by the DCLG.	Yes	<p>We obtained screen shots from the Actuate system which showed the figures from the system that had been used to calculate the Sickness Absence performance figure for September (rolling 12 months). We obtained a copy of the spreadsheet containing the imported data from SAP and confirmed that the figures on Actuate could be traced to the SAP extract spreadsheet.</p> <p>It was, however, identified during the course of the audit that, although the figure reported in September was correct, there was an issue with the accuracy of the 12 month figures in October and April, May and June. Although the reason for this is unknown, the Performance Manager stated that it is likely to be human error as there is an element of manual calculation and input to this indicator.</p> <p>If data is not validated there is a risk that incorrect performance information could be reported, which could potentially lead to incorrect management decisions.</p>	Management should ensure that the sickness figures are corrected and that there is a process in place to ensure the data is validated prior to being reported.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
1.2	<p>An Organisational Performance Report is reported to SDB on a monthly basis, and SMB and Audit, Governance and Review Committee on a quarterly basis.</p> <p>The Performance Report is a RAG rated dashboard report which shows performance against target as:</p> <p>blue (more than 10% better than target),</p> <p>green (better than target by up to 10%),</p> <p>amber (worse than target by up to 10%)</p> <p>red (worse than target by more than 10%).</p> <p>Performance is shown over a rolling 12 month period so that trends are easily visible.</p> <p>Each Performance Report is accompanied by a narrative report explaining performance figures and trends. Commentaries input by Owners onto Actuate are used to compile the report.</p>	Yes	<p>We obtained the performance reports prepared for the July, August and September SDB meetings. We reviewed the reports and noted that in each month the narrative report provided commentary by Service Objective for each relevant performance measure, and that the performance report was accompanied by a RAG rated dashboard report which showed performance on a monthly basis for the previous 12 month period.</p> <p>We noted that for a number of performance measures no performance was being reported. These were:</p> <ul style="list-style-type: none"> • Total Essex Leisure Premises Risk Scores • Total Essex Workplace Premises Risk Scores Project Cost variation • Project schedule variation • Respondents satisfied with the response they received • Improved staff satisfaction • % of employees satisfied with the training they receive to do their role • Annual reduction in carbon footprint • % of respondents aware of the work undertaken by the Service • Improved satisfaction with leadership within the Service. <p>We obtained evidence that the staff engagement survey was underway which would inform three of</p>	The Service should ensure that in order to be able to measure performance against the Service Objectives sufficient resources are directed to the processes to capture the data necessary.	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			<p>the above measures. The Performance Information Manager confirmed that the external surveys were going to be developed following the completion of the internal survey work.</p> <p>The Performance Information Manager also confirmed that the Risk scores were annual measures and that this was the first year of reporting, and that the Project Costs and Carbon Reduction measures were waiting for posts to be filled before the data could be gathered and performance reported.</p> <p>If performance against all agreed measures is not reported, there is a risk the Authority will not be able to monitor the progress of the strategic Service Objectives.</p>		
1.3	Responsibility for each performance indicator is assigned to an Owner. As most performance indicators are reported by location, Owners are set for each location as well as at the top level.	Yes	<p>For the sample of performance measures we interrogated Actuate to ascertain whether Ownership had been assigned. We identified that:</p> <ul style="list-style-type: none"> Sickness - Ownership had correctly been assigned to the Head of HR. Rate of injury and death - Ownership had correctly been assigned to the SDO Safer Communities. Total Availability - Ownership had correctly been assigned to the ACFO Operations. We noted, however, that ownership below this had not been consistently assigned. In addition, the Owner's Assistant was named as the SDO Safer Communities, but this was incorrect. Call Handling - Ownership was correctly 	Management should ensure that Ownership is correctly assigned for all performance measures.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			<p>assigned to the SDO Safer and Resilient Communities.</p> <ul style="list-style-type: none"> Mobilisation - This was assigned to the Chief Fire Officer but below this had not been assigned. The Chief Fire Officer is ultimately responsible for all performance measures. <p>Whilst we acknowledge that responsibility has been taken for each of the performance measures and that commentary was being added even where there was no named Owner on Actuate, there is a risk that if Owners are not formally assigned the measure may not be properly monitored.</p>		
1.4	<p>There is a facility on Actuate for managers to add commentary on their performance measures and also add actions to address any issues identified with the performance figure reported.</p> <p>We are advised that red performance measures (below target) should have a commentary, and also blue ones (performing above target), and that this should be updated each month, however this is not formalised in any guidance or procedure notes.</p> <p>There is also no formal guidance as to whether action plans and commentaries should be subject to review for reasonableness and for progress in completing the</p>	No	<p>We obtained screen prints from Actuate for the sample of performance measures to ascertain whether commentaries were being made and actions updated.</p> <p>We noted that in all cases commentary and action plans had been added for October except for Call to Alert in 90 seconds where there was no commentary or action plan added for October. We identified by looking on Actuate with the Performance Information Manager that no commentary had been added during 2014/15 for this indicator.</p> <p>We are advised that red performance measures should have a commentary, and also blue ones (performing more than 10% above target), however this is not formalised in any guidance or procedure notes.</p> <p>Without guidelines for users as to when commentaries should be added, there is a risk that</p>	<p>Management should produce a Data Quality guidance document for Owners of performance measures and users of the Actuate system. This should state responsibilities including:</p> <ul style="list-style-type: none"> Requirement for Owners to provide a monthly commentary, and on which measures (e.g. all, or only blue and red) Requirement for actions to be updated monthly 	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	actions.		<p>inconsistent practices will be followed.</p> <p>We noted that in order to see previous actions it is necessary to scroll back through periods. There is no easily viewable summary of actions for each performance measure which would allow management to check that actions are appropriate and address the gap identified, or that actions are being completed.</p> <p>Whilst we note that actions are now being added to Actuate to address performance issues, there is a risk that these actions may not be appropriate if not reviewed, and that actions may not be completed if they are not monitored.</p>	<p>and monitored for progress. A process should be put in place to enable to progress of actions to be monitored.</p> <ul style="list-style-type: none"> • Deadline for commentaries and actions to be added in time to meet reporting deadlines for SDB and SMB. <p>The guidance document could also include guidance on other matters such as:</p> <ul style="list-style-type: none"> • Deadlines for submission of any data not gathered centrally. • Responsibilities for data validation where manual data gathering or calculation is required. 	

Essex Fire Authority

[Internal Audit Report \(4.14/15\)](#)

FINAL

Fuel Cards

8 January 2015

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Debrief meeting	3 December 2014	Auditors	Daniel Harris – Partner Suzanne Lane - Senior Manager Alan Grisley - Assistant Manager Kimberley Hancock - Analysis
Draft report issued	16 December 2014		
Responses received	8 January 2015		
Final report issued	8 January 2015	Client sponsor	Glenn McGuinness, Deputy Director of Finance
		Distribution	Glenn McGuinness, Deputy Director of Finance Peter Warner - Engineering Manager Heidi O'Connor - Transport Manager

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1 Executive Summary

1.1 Introduction

An audit of Fuel Cards was undertaken as part of the approved internal audit periodic plan for 2014/15.

Essex Fire and Rescue Service (hereby known as the 'Service'), has as extensive Fleet that covers; Fire Engines, Specialist Vehicles, Specialist Fire Appliances, Fleet Vehicles and Vans, Pool cars, Mini-buses, and Senior Management Vehicles.

The management of fuel cards and bulk fuel purchases is the responsibility of the Transport Department which is based at the Lexdon premises of EFA Ltd, a trading name of Essex Fire Authority, who are contracted to maintain the Services fleet of vehicles.

Fuel cards are used for service vehicle refuelling of both diesel and unleaded vehicles. Allstar Fuel cards have been used by the service for numerous years, as they cover a larger area and choice of filling stations. The Allstar cards are provided in three different concepts; wild cards for general use on any vehicle, registered to individual vehicles, or registered to a named individual who are Senior Management.

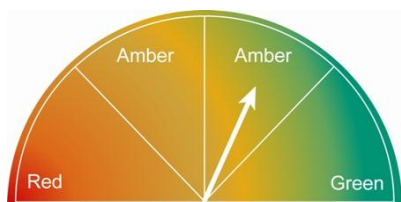
The majority of fuel is purchased through the Allstar card scheme, meaning that the Service pay the price of retail fuel. There are no policies in place for fuel card usage, therefore both premium and standard grades of fuel are purchased throughout the Service. Senior Management are allowed to use their vehicles and fuel cards for private use.

The actual Fuel costs for 2012/2013 and 2013/14 have been under their designated budget, achieving actual outturn of 96% and 93% against budget. Current year expenditure is also on target to be below budget (at the end of period 7 the Service had spent 46% of the budget).

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure fuel usage is managed to keep costs to a minimum
Risk	Fuel is purchased for vehicles not owned by Essex Fire Service and fuel used for private mileage is not recharged.

1.2 Conclusion



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

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

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design, application and control of the control framework

- Fuel budgets are monitored on a monthly basis in order to flag up any discrepancies immediately. The Authority in the past consecutive three financial years have come in below budget for fuel costs, showing that regular monitoring and budget setting is working effectively and efficiently.
- Staff using Service vehicles are required to maintain a detailed record of the journeys undertaken. From a sample check we confirmed that they record the following in the vehicle log book for each journey:
 - Date;
 - Fleet Number,
 - Destination/ Purpose, Mileage,
 - Name of user, and
 - Any Fuel purchases (quantity in cost or litres)

- Fuel cards are issued in four ways:
 1. They are allocated to a vehicle so that a record of all fuel purchases can be maintained for each of the Service's pool cars and vans.
 2. They are also issued to a member of staff in the Service. Staff issued a fuel card may use their card to purchase fuel for any of the Services' vehicles. Fuel cards should have the staff name embossed
 3. Service has blank cards which can be allocated to staff, and these are known as 'wild' cards.
 4. An equipment cards are retained in the station's general office, for purchasing petrol for equipment held within the station. Anyone with photo ID can use these.
- The Transport Department maintains a log of all cards issued with the expiry date which we confirmed as accurate from card numbers recorded on Allstar invoices for the previous two months. The Transport Support Officer updates the Allstar system when a vehicle is disposed or a member of staff leaves the Service. The card should then be destroyed. We also confirmed that;
 - Those cards issued to named individuals were currently on the payroll;
 - Those cards issued to a vehicle were currently in the fleet.
- An FB226 form is used to record fuel purchased by individual card holders and fuel receipts should be attached. These are used by the Transport Department to reconcile the monthly statements received from Allstar. From the review of a sample covering Allstar invoices from the previous four months we confirmed that reconciliations had been performed and invoicing was accurate.
- The Transport Department informs Finance of the appropriate cost centres for each of fuel transactions so that the ledger can be updated accordingly for monthly reporting. As part of this process a sense check is undertaken by the Transport Administration to ensure that card usage is as expected, investigating any significant fluctuations in card use.

We highlighted the following design issue, which resulted in a **High** priority recommendation being made;

- There is no policy and procedures in place for the use of fuel cards which could result in financial risk and misuse of the cards. **(High)**

We have found no significant issues with the compliance and application of the control framework, however we have made one low priority recommendation which is detailed in the action plan below.

We have also made one low priority recommendation detailed the action plan below.

1.3 Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- This audit was conducted on a sample basis. We have not therefore given an opinion on all transactions, but only based on the sample selected.
- We have not included the billing process with suppliers for fuel charged on cards.
- We have not given any assurance that all mileage claims were for business purposes.
- We have not given an opinion on the security arrangements for the storage of bulk fuel.
- Our work does not provide any absolute assurance that material error; loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	1	0	0
Application of control framework	0	0	1
Total	1	0	1

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	<p>The Authority should establish a policy and procedures for the user of fuel cards this should include:</p> <ul style="list-style-type: none"> • The issue of Fuel Cards • Private mileage • Request and use of pool vehicles • Recording and reporting of mileage • Use of premium fuel. <p>The procedures should also cover the use and monitoring of bulk fuel.</p>	High	Y	Work has commenced on producing a policy for the issue and use of fuel cards	April 2015	Peter Warner
1.2	<p>The Service must ensure that all Card entries are entered fully onto the Allstar Fuel Card information list, with the cards status, a date of issue recorded and a date of cancellation if applicable.</p>	Low	Y	I believe the system we have in place is adequate. We issue memo's with cards which need to be signed and these confirm the issue date, I will ensure any gaps in information on our spreadsheet are completed	April 2015	Peter Warner

3 Findings and Recommendations

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

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Risk : Fuel is purchased for vehicles not owned by Essex Fire Service and fuel used for private mileage is not recharged.					
1.1	<p>Essex Fire Authority has no policies or procedures covering the use of fuel cards.</p> <p>Basic instructions on the use of fuel cards issued at the same time as the fuel card.</p>	No	<p>We confirmed with the Transport Manager that no policies or procedures are in place regarding the use of Fuel Cards.</p> <p>Without policies and procedures in place the Service is exposing itself to the risk of processing inconsistencies. Also without strict guidelines it could lead to improper use of the fuel cards resulting in an inefficient use of the Service's resources.</p> <p>However we did confirmed that when a card is issued to an individual, they are required to sign for the receipt of the card with a terms and conditions giving basic instructions on the usage of the card.</p>	<p>The Authority should establish a policy and procedures for the user of fuel cards this should include:</p> <ul style="list-style-type: none"> • The issue of Fuel Cards, • Private mileage; • Request and use of pool vehicles; • Recording and reporting of mileage. • Use of premium fuel. • Management of bulk fuel, including usage by EFAS Ltd. <p>The procedures should also cover the use and</p>	High

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
				monitoring of bulk fuel.	
1.2	<p>Fuel cards are issued in four ways:</p> <ol style="list-style-type: none"> 1. They are allocated to a vehicle 2. They are also issued to members of staff in the Service. Staff issued a fuel card may use their card to purchase fuel for any of the Services' vehicles only. Fuel cards should have the staff name embossed, 3. The Service has blank cards which can be allocated to staff, and these are known as 'wild' cards. 4. An equipment card is retained in the station's general office, for purchasing petrol for equipment held within the station. Anyone with photo ID can use these. <p>A list of the cards that have been issued is held by Transport Department and this details the card number, date of issue and date of expiry. The vehicles listed should also reconcile to the vehicles held on the current Fleet list.</p> <p>The Transport Support Officer will update the Allstar system</p>	Yes	<p>A review of the Fuel cards records held confirmed that all cards, which have been recorded, list which Station, Vehicle or Individual they relate to.</p> <p>We reviewed a sample of 20 cards recorded on the September 2014 Allstar invoice and confirmed that nine could be traced back as active current cards held on the Transport Department records. The remainder were also current active cards and were confirmed as either:</p> <ul style="list-style-type: none"> • Fuel purchased on a 'Wild Card' • Fuel purchased by a named authorised individual • Fuel purchased on a Stations fuel card <p>Review of July and September's Allstar invoices confirmed that they agreed with the Transport Department's records of cards in use. From a sample of ten cards on the Allstar Card list we confirm that;</p> <ul style="list-style-type: none"> • Five were still active; • One was not reordered when it was due to renew; • One was cancelled as fire bike cards were being replaced; • One was cancelled as employee had left; • One was cancelled as it was lost; • One individual retired 2nd April 2014 and the card is stated as cancelled, but no 	The Service must ensure that all Card entries are entered fully onto the Allstar Fuel Card information list, with the cards status, a date of issue recorded and a date of cancellation if applicable.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	when a vehicle is disposed or a member of staff leaves the Service. The card should then be destroyed.		<p>cancellation date was recorded.</p> <p>We confirmed with the Transport Manager that this card was cancelled on 2nd April 2014 and had not appeared on subsequent invoices. Without recording the date of cancellation on the Transport department list there is a risk that fuel cards are still active.</p> <p>Review of the Allstar Fuel Cards Spreadsheet confirmed that all vehicles issued had dates recorded for their issue with the exception of 44 of the 188 active cards.</p> <p>We confirmed through discussion and review with the Transport Manager that the Wild Cards kept on site were in a lockable unit, which is locked when no one is in attendance at the office.</p>		

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

7

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/008/15

SUBJECT

Organisational Performance Report – October 2014

REPORT BY

Director of Human Resources and Organisational Development,
Lindsey Stafford Scott

PRESENTED BY

Director of Human Resources and Organisational Development,
Lindsey Stafford Scott

SUMMARY

To provide Members of the Audit, Governance and Review Committee with an overview of the Service's performance for the period November 2013 to October 2014.

RECOMMENDATIONS

Members of the Audit, Governance and Review Committee are asked to note the contents of the performance report.

BACKGROUND

The Fire Authority has adopted a new Strategy for the period 2014-19 through which it has set out six Strategic Objectives and a set of associated success measures. The range of measures reported is more balanced than in previous years and presents a fuller picture of organisational performance. There are still a number of measures where new data capture processes are being implemented and is not yet available to be reported. Plans are in place to have all measures in place by the end of the year.

A summary of performance against the success measures is provided in Appendix 1.

Overview of Organisation Performance by Strategic Objective

Objective 1. We will identify the risks to our communities and work in partnership with them to manage the risk, to reduce its likelihood or its impact on our communities.

Number of Incidents attended in Essex

ECFRS attended 1139 incidents during October 2014, nearly 5% fewer than in October 2013. The rolling 12 month total stands at 13473. Over the previous 12 months, fires have reduced by 8% with the major reduction continuing to be in secondary fires (254 fewer incidents). Emergency special service calls have gone up very slightly (11 more incidents overall) with false alarms attendances down very slightly (16 fewer attendances) compared to last year. Most of this reduction was for False Alarm – Good Intent and Hoax Calls.

Rate of Accidental Dwelling Fires (ADF)

The rate of accidental dwelling fires per 10,000 dwellings is now rising slightly, with the current rate of 12.3 remaining more than 10% above the target of 10.9. ECFRS performance remains better than that recorded for the previous year, however, should no reduction in the rate be seen over the coming months, in the New Year the Service will start to record a performance, which is worse than that of the previous year.

Kitchen fires, which comprise the bulk of accidental dwelling fires, have increased in proportion slightly compared to last year. More than a third of these fires relate to cooking.

Number of people killed or seriously injured in road traffic collisions

There were 68 people killed or seriously injured in road traffic collisions during October 2014. The long term trend had been increasing in the early part of this current year, and was off target in May. However, since then improvements have been seen and the rolling 12 month total for Essex killed or seriously injured casualties is now stable and below target (although performance remains worse than the same period last year).

Rate of casualties (fatal and non-fatal) resulting from fires per 100,000 population

There was one fatal and 3 non-fatal casualties from fire incidents in October. The rate of casualties is now 5.4 per 100,000 population, which is better than target and the same time period last year.

Total Essex workplace and leisure premises risk scores

These are annual measures, which calculate the total allocated risk score for work places in Essex, from the risk based inspection. Work is currently underway to investigate the possibility of automating the reporting process to allow for more regular reporting.

Objective 2. We will provide a resilient, timely, safe and effective response when risks become incidents.

Achieve a timely response to incidents

The development of a response standard was an output of the Service's response review. That work is ongoing and until a new standard is agreed, we continue to report on the existing measures of Control call handling and station turnout.

Call to alert: Performance in the long term is stable at 1% better than target by October 2014 with 91% of the 8353 calls received calls handled within 90 seconds.

Wholetime - time of station alert to proceeding: In the long term, performance continues to be worse than the previous year, and is dipping slightly (65% or turn-outs within 2 minutes vs. 70% last year) and remains below the target of 75%.

Retained Duty System - time of station alert to proceeding: Performance in the long term is stable at 78% of turnouts within 6 minutes, better than the target (75%) and performance in the previous year (74%).

Retained Duty System - time of station alert to proceeding: Performance is stable at 77% of turnouts within 6 minutes, better than the target (75%) and performance in the previous year (75%).

Rate of Accidents per 100,000 employees

There were 100 accidents during April to October 2014, a 21% reduction (27 fewer) than the same period in the previous year. The annual accident rate per 100,000 employees (on a rolling 12 month basis) is 12,509.

Percentage of respondents who were satisfied with the response they received

This will be developed following the finalisation of the Employee Engagement Strategy.

Objective 3. We will use our resources flexibly, efficiently and effectively, reducing the cost of the Service to match the funding available.

Total appliance availability

Long term performance continues to be below target and worse than that recorded over the same time period last year (86.1% against a target of 94%). However, the percentage availability on a month by month basis has been improving recently (from 81.9% in July to 86.2% in October). The main reason for appliance unavailability remains shortage of riders.

Wholetime Availability in the long term is now at 93.4% against a target of 98%.

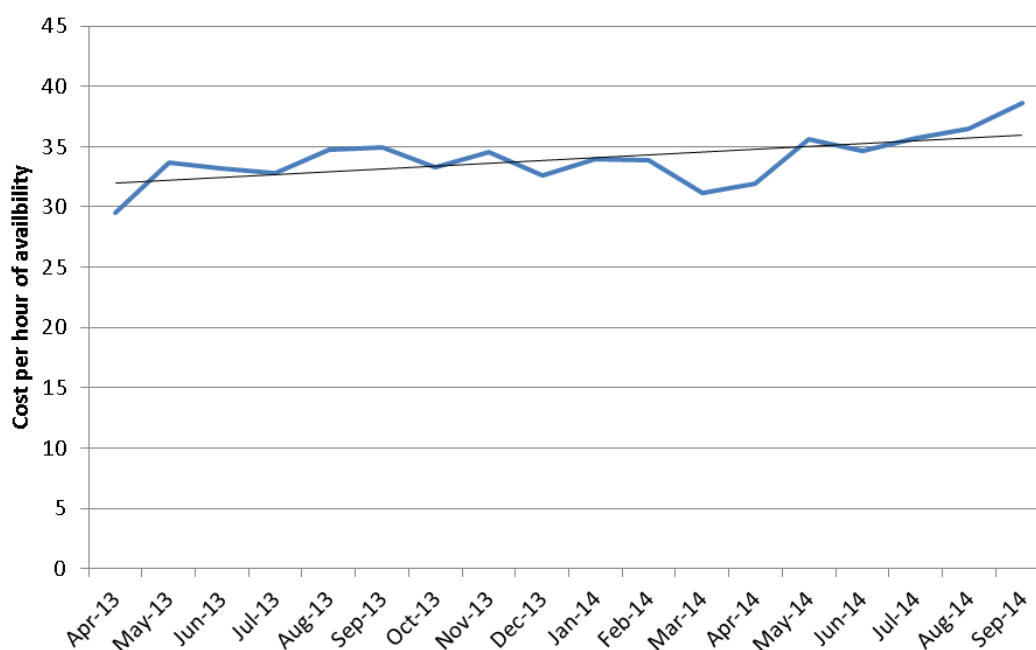
Retained Duty System (RDS) availability remains fairly stable in the long term (77% against a target of 90%).

Cost per hour of appliance availability

This measure was introduced in April 2014 with a commitment to review its relevance after 6 months.

Figure 1 shows the change over time in the cost per hour of availability. There is a slight upward trend with the average monthly cost in 2014/15 being 7% above the same period in 2013/14.

Examining the cause of the monthly variation in costs shows that cost is a greater factor than availability. Figure 2 shows the relative change in station pay cost, hours available and cost per hour of availability based against April 2013. Availability shows less variation from month to month (a 13% range) in comparison to station pay cost (a 23% range) and cost per hour of availability varies in line with station pay cost.



It is not clear that presenting the data in this form is more useful than examining station costs or availability separately. If cost per hour of availability is intended as a measure of efficiently crewing appliances then it may be better to consider more direct measures of efficiency. Alternative measures of crewing efficiency will be evaluated to identify a more suitable performance measure for this area.

Figure 2. Cost per hour of appliance availability.

Project schedule and cost variation

This is a measure of how well the Service plans project delivery. It is not applied to individual projects but to the whole and makes a simple comparison between planned and actual completion and will be collected and reported for all new projects and programmes.

Objective 4. We will ensure our people are involved, engaged and empowered to deliver excellence.

Improved staff satisfaction

The Employee Engagement Survey was completed during November and December 2014. The headline figures from the survey will be published shortly and will provide the data for this performance measure.

The percentage of employees who are satisfied with the training they receive to do their role

Data for this performance measure was captured through the Employee Engagement Survey.

Percentage of staff who received an appraisal in the past 12 months

Completion rates for the initial Achievement First objective setting meetings have been monitored centrally. At the end of September 2014 the completion rate for the Service was 88% against the target of 90%.

Average days/shifts lost per person to sickness absence per year

The current 12 month rolling total (8.1 days lost per person) is an improvement on recent months although this figure remains worse than the target of 8. Sickness trends have been showing a downward trend in recent months, driven mainly by reductions in non-uniform sickness although uniform sickness is also falling slightly.

Objective 5. We will use our assets to support sustainable communities and promote wellbeing.

Annual reduction in carbon footprint

The Environment Officer post is currently vacant and reporting is currently on hold until that is resolved.

Percentage of survey respondents who were aware of the range of work we undertake

Following the completion of the Employee Engagement Survey an external Survey across related themes will be developed to provide a second viewpoint of the issues facing the Service.

Objective 6. Our leaders will demonstrate trust and honesty, listening to others to support an open and inclusive culture.

Improved satisfaction with leadership within the Service

Data for this performance measure was captured through the Employee Engagement Survey.

RISK MANAGEMENT IMPLICATIONS

The risk of not setting and reviewing its strategy and supporting performance measures is that resources might not be aligned to areas of priority, and that risks, both current and emerging are not responded to.

FINANCIAL IMPLICATIONS

There are no direct financial implications related to this report.

LEGAL IMPLICATIONS

There are no direct legal implications related to this report.

HEALTH AND SAFETY IMPLICATIONS

There are no direct Health and Safety implications related to this report.

EQUALITY IMPLICATIONS

There are no direct equality implications related to this report.

ENVIRONMENTAL IMPLICATIONS

There are no direct environmental implications related to this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper: Appendix 1 – Organisational Performance	
List of background documents (not attached):	
Proper Officer:	Director of Human Resources & Organisational Development
Contact Officer:	Lindsey Stafford-Scott, Director of HR&OD Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: l.stafford-scott@essex-fire.gov.uk

We will identify the risks to our communities and work in partnership with them to manage the risk, to reduce its likelihood or its impact on our communities

	Nov'13 → Oct'14												Actual	Target
Number of Incidents attended in Essex													13,473	13,961
Number of people killed or seriously injured in RTCs													696	751
Rate of Accidental Dwelling Fires per 10,000 dwellings													12.3	10.9
Rate of casualties (fatal and non-fatal) resulting from fires per 100,000 population													5.4	5.6
Total Essex leisure premises risk score														
Total Essex workplace premises risk score														

Colour coding

More than 10% better than target

Less than 10% better than target

less than 10% worse than target

More than 10% worse than target

Data reported but no target set

We will provide a resilient, timely, safe and effective response when risks become incidents

	Nov'13 → Oct'14													
Achieve a timely response to incidents													98% *	
Percentage of respondents who were satisfied with the response they received														
Rate of Accidents per 100,000 employees													12,509	tbc

We will use our resources flexibly, efficiently and effectively, reducing the cost of the Service to match the funding available

	Nov'13 → Oct'14													
Cost per hour of appliance availability													**	
Project cost variation														
Project schedule variation														
Total appliance availability													86.10%	94%

We will ensure our people are involved, engaged and empowered to deliver excellence

	Nov'13 → Oct'14													
Average days/shifts lost to sickness absence per person per year													8.1	8
Improved staff satisfaction.														
Percentage of staff who received an appraisal in the past 12 months													88%	90%
The percentage of employees who are satisfied with the training they receive to do their role														

We will use our assets to support sustainable communities and promote wellbeing

	Nov'13 → Oct'14													
Annual reduction in carbon footprint														
Percentage of survey respondents who were aware of the range of work we undertake														

Our leaders will demonstrate trust and honesty, listening to others to support an open and inclusive culture

	Nov'13 → Oct'14													
Improved satisfaction with leadership within the Service														

* Whilst a the Service's Response Review considers the future response standard the combined call handling, wholetime mobilising and retained duty system mobilising performance measures are reported as one grouped measure which is currently at 98% of target. ** to be replaced with alternative measure.

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit Governance &
Review Committee**

AGENDA ITEM

8

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/009/15

SUBJECT

Budget Review – November 2014

REPORT BY

The Finance Director & Treasurer

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

1. This paper reports on the expenditure against budget as at 30 November 2014, and identifies major variances to the budget for the year.

RECOMMENDATIONS

2. Members are asked to:
 - a. Note the review of income and expenditure against the budget;
 - b. Note the actual position with capital expenditure; and
 - c. Note the Forecast expenditure for 2014/15 and agree that a review of the treatment of the underspending should be brought back to the Committee in March 2015.

BACKGROUND

3. This report reviews the actual expenditure against budget to 30 November 2014 for both revenue and capital expenditure. After the first seven months results budget holders have worked with finance managers to provide an updated forecast of expenditure for the year.
4. A summary of the net revenue expenditure for the eight months to 30 November is shown in the table below.

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	23,302	(577)	-2%	-
On-Call Fire-Fighters	3,791	(1)	0%	-
Control	1,113	15	1%	-
Support Staff	7,426	17	0%	57
Total Employment Costs	35,632	(545) 	-2%	57
Support Costs	1,339	(77)	-5%	126
Premises & Equipment	6,611	(159)	-2%	1,505
Other Costs & Services	2,080	(270)	-11%	686
Ill health pension costs	1,326	1,242	++	-
Financing Items	1,353	39	3%	0
Operational income	(3,314)	(589)	22%	4
Contribution to/(from) Reserves	-	248	0%	-
Total Other Costs	9,395	436 	5%	2,320
Total Budget	45,027	(110) 	0%	2,378
Total Funding	(49,555)	(123) 	0%	-
Funding Gap / (Surplus)	(4,527)	(233) 		2,378

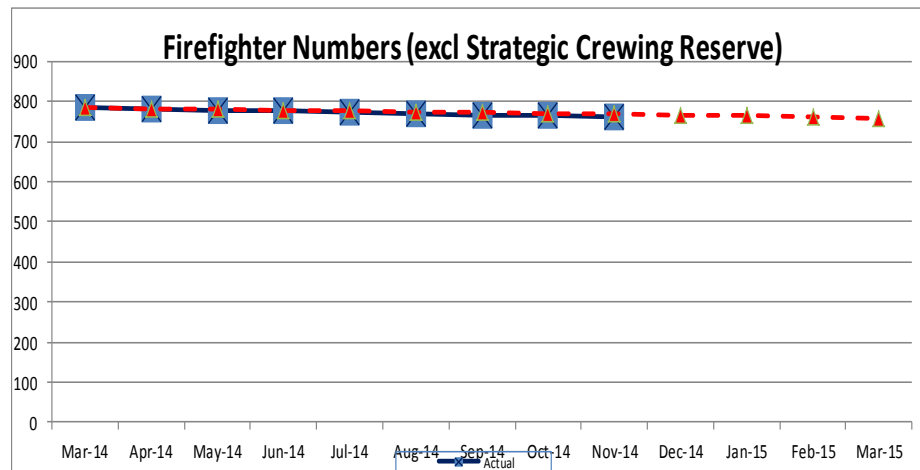
5. More detailed figures are provided at page 7.

STAFFING

6. Overall employments costs are £545K under budget for the 8 months to 30 November. The underspend for, whole time fire-fighters is £577K (2%). For on-call firefighters, spend is now in line with budget. A virement, as agreed by members, has now been raised to utilise part of the underspending on whole time pay to fund the cost of resilience payments during periods of industrial action and the costs of on-call crews mobilised to the Thoby Lane Incident, the impact is to bring on-call firefighters pay in line with revised budget at the end of November.
7. Whole-time fire-fighter numbers at 762.5 are close (-0.7%) to the budgeted level at the end of November after excluding the strategic crewing reserve. There are no plans to recruit more whole-time fire-fighters at the current time; pressure on resources will be covered by additional shift working budgeted as 44 posts under the strategic crewing reserve.
8. The staffing position at the end of September is summarised below (% figures rounded):

30 Nov 2014	Actual	Budget	Variance	
Wholetime Firefighters - FTE	762.5	768.0	-5.5	-1%
Strategic Crewing Reserve		44.0	-44.0	-100%
On-Call Firefighters - Headcount	487.0	514.0	-27.0	-5%
Control - FTE	39.0	44.0	-5.0	-11%
Support Staff - FTE	271.3	267.0	4.3	2%
Total	1,559.8	1,637.0	-77.2	-5%

9. The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 7 at the end of November, the same as the position a year earlier. The number of fire-fighters over 50 with more than 25 years' service was 67 at the end of November.
10. The graph below shows the numbers of whole-time fire-fighters compared to the budget for the first 8 months of the financial year.



WATCH BASED FIREFIGHTERS

11. 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)
31/10/2014	624	608	576	606.5	0.0	2.6
30/11/2014	624	608	576	604.5	0.0	2.8

12. Watch based numbers remain just below the optimum rider resilience level; the vacancies arise in the Strategic Crewing Reserve. Action, short of a strike by the Fire Brigades Union 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

13. Non-pay related expenditure includes the costs of firefighter injury payments where there is insufficient budget provision. Apart from this variance, premises and equipment is 159K (2%) underspent and other costs are £270K (11%) under budget. We expect these expenditure variations to catch up against the phasing of the budget during the remaining part of the financial year.

2014-15 FORECAST OUTTURN

14. The forecast for the year has been updated in conjunction with budget holders to reflect the expected out-turn for the year the forecast level; of saving is some

£0.4m against the overall budget of £73.8m. This is after allowing for the additional £1.7m of injury payments which was not allowed for in the original budget for 2014-15.

Description	Current Full Year Budget £'000s	Nov Forecast £'000s	Forecast Variance £'000s	% Forecast Variance
Firefighters	36,248	34,670	(1,578)	-4%
On-Call Fire-Fighters	5,736	5,502	(234)	-4%
Control	1,653	1,686	33	2%
Support Staff	11,129	11,083	(46)	0%
Total Employment Costs	54,766	52,942	(1,824)	-3%
Support Costs	2,182	2,124	(58)	-3%
Premises & Equipment	10,154	10,527	373	4%
Other Costs & Services	3,524	3,136	(388)	-11%
Ill health pension costs	201	1,937	1,736	++
Financing Items	8,706	8,726	20	0%
Operational income	(4,087)	(4,235)	(148)	4%
Contribution to/(from) Reserves	(2,175)	(1,807)	368	-17%
Total Other Costs	18,505	20,408	1,903	10%
Total Budget	73,271	73,350	79	0%
Total Funding	(73,271)	(73,770)	(499)	1%
Funding Gap / (Surplus)	0	(419)	(419)	++

15. Based on the headcount at the end of November and expected movement during the rest of this year we expect fire-fighters pay to be £1.6m underspent by the end of the year. The pay forecasts for both on-call and whole-time fire-fighters assume that there are no more additional strike costs and no further significant increase in operational needs.
16. The forecast underspend of £58K in support costs includes £118K for training, part of this underspend will be used for consultancy services to support the Workforce Transformation Programme, virements will be raised to transfer the budget to other costs and services which include consultancy costs. Premises and equipment shows a forecast overspend of £373K, this relates to utilities (£100K), rate increases (£55K) and fuel costs which are now forecast to be £60k over budget.
17. A decision on whether the underspending in the year should be used to booster the Authority's reserves, or fund capital expenditure will need to be made at the next meeting of the Committee when the ear-marked reserves can also be reviewed in the light of the 2015/16 budget.

CAPITAL EXPENDITURE

18. Total capital expenditure and commitments to 30 November were £8.3m; this includes £1.4m for the Kelvedon Park Development and £1.5m for the solar panels on stations, other property projects account for £0.9m. The Information Technology spend and commitment of £1.9m mainly relates to the new Control mobilising system. We have also committed £0.9m on BA equipment and £1.5m on Appliances and other vehicles at 30th November, the first appliance is expected to be delivered by the end of the financial year.

	Revised Budget - 5/11/14 £'000s	Actual Spend To November 2014 £'000s	Commitments 2014/15 £'000s	Total Spend including Commitments £'000s	Revised Forecast November 2014 £'000s
Property					
New Premises					
Service Headquarters	2,185	1,011	366	1,377	2,185
Service Workshops	250	0	169	169	250
Other	-	-	-	-	-
Existing Premises					
Solar Panels	1,652	520	976	1,496	1,652
Asset Protection	1,600	242	509	751	1,600
Asset Improvement Works	-	14	25	38	-
Total Property	5,687	1,787	2,045	3,832	5,687
Equipment	1,596	922	11	933	1,669
Information Technology					
Projects > £250k	1,871	589	1,156	1,746	1,871
Projects < £250k	393	130	19	150	393
Total Information Technology	2,264	720	1,176	1,895	2,264
Vehicles					
New Appliances	1,060	-	1,400	1,400	1,400
Other Vehicles	781	187	-	187	578
Total Vehicles	1,841	187	1,400	1,587	1,978
Total Capital Expenditure	11,389	3,616	4,631	8,247	11,598

RISK MANAGEMENT IMPLICATIONS

19. 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.
20. 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

21. There are no direct legal implications within this report.

USE OF RESOURCES

22. There are no use of resources implications within this report

ENVIRONMENTAL IMPLICATIONS

23. There are no environmental implications arising from this report

EQUALITY IMPLICATIONS

24. There are no equality implications arising from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
Appendix 1 – Expenditure compared to budget to 30 September 2014	
List of background documents (not attached):	

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 NOVEMBER 2014

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	23,302	(577) ✓	-2%	-
On-Call Fire-Fighters	3,791	(1) ✓	0%	-
Control	1,113	15 ✓	1%	-
Support Staff	7,426	17 ✓	0%	57
Total Employment Costs	35,632	(545) ✓	-2%	57
Training	405	(94) ✓	-19%	56
Employee Support Costs	487	(4) ✓	-1%	65
Travel & Subsistence	447	22 ✓	5%	5
Support Costs	1,339	(77) ✓	-5%	126
Property Maintenance	1,096	(459) ✓	-30%	21
Utilities	435	71 ✓	19%	4
Rent & Rates	956	46 ✓	5%	26
Equipment & Supplies	950	(18) ✓	-2%	100
Communications	970	19 ✓	2%	886
Information Systems	1,391	40 ✓	3%	412
Transport	813	142 ✓	21%	56
Premises & Equipment	6,611	(159) ✓	-2%	1,505
Establishment Expenses	727	(66) ✓	-8%	15
Insurance	328	(37) ✓	-10%	505
Professional Fees & Services	859	(172) ✓	-17%	165
Democratic Representation	98	(6) ✓	-5%	-
Agency Services	68	11 ✓	19%	-
Other Costs & Services	2,080	(270) ✓	-11%	686
III Health Pension costs	1,326	1,242 ✓	++	-
Lease & Interest Charges	1,353	39 ✓	3%	0
Financing Items	1,353	39 ✓	3%	0
Operational income	(3,314)	(589) ✓	22%	4
Contributions to/ (from) General Balances	-	248 ✓	0%	-
Total Net Financing Requirement	45,027	(110) ✓	0%	2,378
Revenue Support Grant	(11,962)	- ✓	0%	-
National Non-Domestic Rates	(11,229)	(126) ✓	0%	-
Council Tax Collection Account	(360)	- ✓	0%	-
Council Tax	(26,003)	3 ✓	0%	-
Total Funding	(49,555)	(123) ✓	0%	-

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit Governance & Review
Committee**

AGENDA ITEM

9

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/010/15

SUBJECT

Draft Budget for 2015-16

REPORT BY

The Chief Fire Officer and The Finance Director & Treasurer

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

The purpose of this report is to:

- Provide the options for the revenue and capital budgets for the Authority for 2015/16;
- Provide information on the budget and business planning process; and
- Provide the initial information on the formula grant settlement, share of national non-domestic rates, council taxbase and collection account for 2015/6.

The budget has been prepared showing figures for a Council Tax freeze as this is the option that the Authority has chosen in recent years. The Policy & Strategy Committee is asked to determine whether an option of an increase in Council Tax should be included in the budget submitted to the full Authority.

RECOMMENDATIONS

Members are asked to review the budget and agree the budget for submission to the full Authority:

	2014/15 Budget	2015/16 Council Tax Freeze Budget
Net Expenditure	£73,271k	£71,908k
Decrease from 2014/15		-£1,363k
Precept	£38,954k	£39,678k
Band D Council Tax	£66.42	£66.42
Increase from 2014/15		0.00%

1. A net expenditure budget of £71.908m (with a Council Tax Freeze);
2. A precept of £39.678m (with a Council Tax Freeze);
3. A Band D council tax of £66.42 (the same since 2010/11);
4. The bands of Council Tax are shown in the following table.

Council Tax Band	2015/16 No Increase
A	£44.28
B	£51.66
C	£59.04
D	£66.42
E	£81.18
F	£95.94
G	£110.70
H	£132.84

5. Capital expenditure budget of £8.175m in 2015/16.

LOCAL GOVERNMENT FINANCE SETTLEMENT

The provisional settlement figures for 2015/16 were announced on 18 December 2014. The final figures will be confirmed in early February 2014. [The figures in this report use the provisional figures provided with the 2014/15 settlement.]

For 2015/16 the level of grant, including past years council tax freeze grant will be £31,515k some £2,800k lower than the current year, this is a reduction of 8.2%.

SUMMARY OF GOVERNMENT FUNDING

From 2015/16 the allocation of Revenue Support Grant to local authorities will be calculated by increasing, decreasing, or maintaining ("scaling") the 2014/15 allocations in line with the level of that year's Revenue Support Grant. Revenue Support Grant will be equal to the local government spending control total less the holdback and the uprated baseline funding level in 2014/15. Note, that the 2014/15 budget excluded the compensation for government imposed rebates to national non-domestic rates as this was not announced until after the budget had been approved.

The table below summarises government funding for 2015/16 in comparison with the current year:

	2014/15	2015/16			Change in Total Settlement Funding Level £m
	Total Settlement Funding Level £m	Revenue Support Grant £m	Baseline Funding Level (Business Rates) £m	Total Settlement Funding Level £m	
Fire and Rescue Funding	32.310	14.871	14.669	29.540	-2.770
2011-12 CT Freeze Compensation	1.068	0.618	0.449	1.067	-0.001
2013-14 CT Freeze Compensation	0.433	0.433		0.433	0.000
2014-15 CT Freeze Compensation		0.433		0.433	0.433
NNDR Rebate Compensation	0.465			0.000	-0.465
Returned Funding	0.039	0.008		0.042	0.003
Total	34.315	16.363	15.118	31.515	-2.800

NATIONAL NON-DOMESTIC RATES

Within the overall amount of funding there is an element funded by the Authorities share (1%) of national non-domestic rates. For 2014/15 decisions by the government to extend relief for small businesses and other policy changes mean that a proportion (£465k for 2014/15) of the business rates expected were replaced by a government grant. The exact implications of this policy for 2015/16 are unclear. The Authority holds an earmarked reserve to manage this uncertainty and it is proposed that any shortfall or surplus in the announced level of government funding is managed through this reserve.

COUNCIL TAX

Since 2011/12 the Authority accepted a government grant to freeze Council Tax. With the exception of the grant for 2012/13 all of these grants are now included in our baseline government funding. In addition there is a commitment that any freeze grants taken in future years will also be included in the baseline.

The longer term impact of a freeze in Council Tax is a lower level of precept income in future years. If the freeze continued until 2018/19 then this income would be £1.5m lower in comparison to an increase in the precept of 2% per annum, the increase allowed in 2014/15 before a local referendum is required. This is a relevant consideration because we expect to see a reduction in our government grant funding in 2015/16 and subsequent years.

For 2015/16 the government has announced 2% as the threshold of the increase in council tax that will require a referendum. This is subject to confirmation by Parliament in early February 2015. Should the Authority propose to increase council tax by an amount that will prompt a referendum then it has to consider whether it will bear any costs through doing so, and what the re-billing costs will be from the 14 billing authorities. It is estimated that a referendum could cost between £1.7m and £2.4m. It should also be noted that the regulations only allow the percentage increase to be included in the referendum, not the cash amount for different householders.

For the purposes of this report figures have been presented showing the position with a council tax freeze. Members of the Policy & Strategy Committee are asked to determine what options should be taken forward to the Authority.

TAX BASE

The position regarding the taxbase of the Authority has been uncertain in recent years. Work with the Billing Authorities has ensured that early figures for the taxbase have been provided to all precepting authorities. This is also supported by in-year monitoring of the progress in

collection and an early assessment of the impact of changes to the billing authorities Council Tax support schemes.

Since 2013/14 the Authority has aligned itself with the County Council and the Police and Crime Commissioner and agreed with the billing authorities to share 25% of the precepting authorities gains from technical changes in Council Tax with the billing authority. The Authority will continue to support these arrangements in 2015/16.

In 2014/5 there was a significant (1.9%) growth in the taxbase following a cautious approach on the level of council tax income in the previous year. The figures for 2015/16 give a further increase of 1.8% reflecting greater confidence in collection rates and housing growth.

COLLECTION ACCOUNT

Initial figures for the Council Tax collection account show a positive balance of £715k. In 2012/13 an earmarked reserve of £1m was established to absorb any negative movement on the collection account fund. This reserve is considered sufficient for future years at this level and so the additional funding has been included in the 2015/16 budget.

2014/15 FORECAST REVENUE BUDGET POSITION

The outturn position for 2014/15 will be subject to a separate paper to the Policy & Strategy Committee. The forecast outturn has been reviewed to reflect the position at the end of November 2014, this forecast is summarised below and this position is reflected in the comparative figures used in this report.

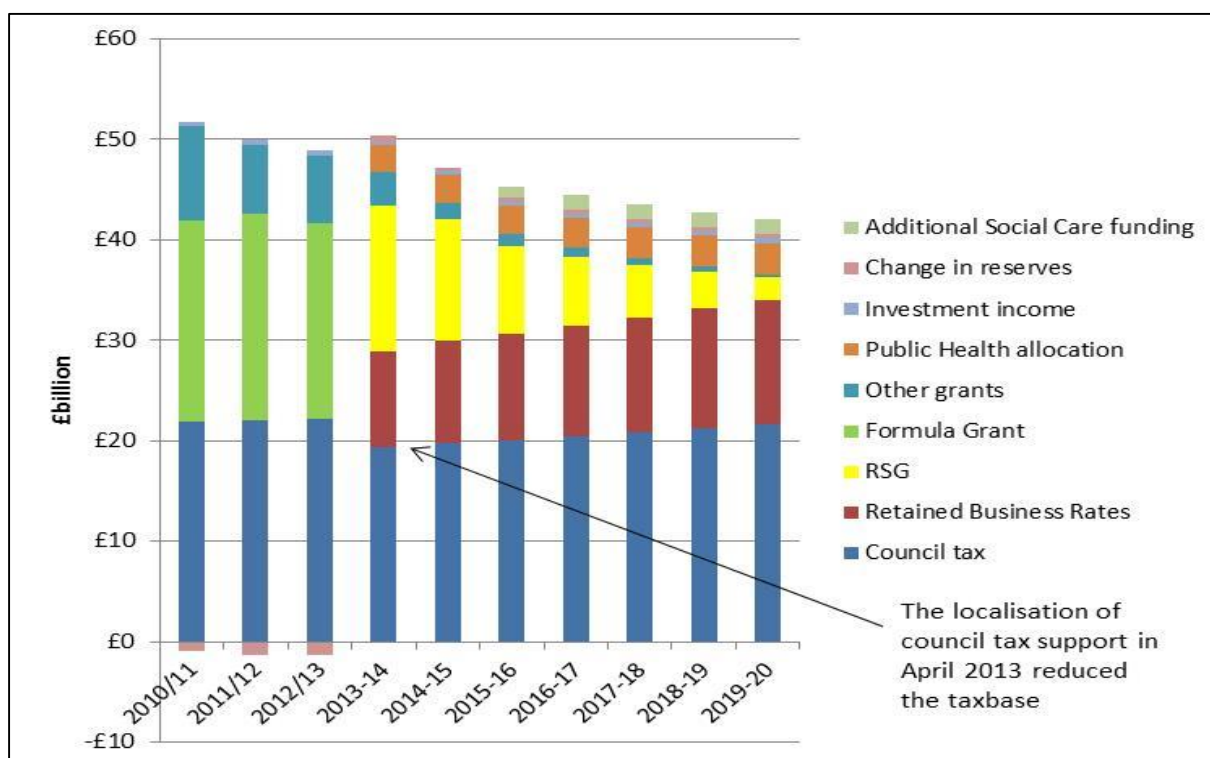
Description	Forecast Variance to	
	2014/15 Forecast £'000s	Budget £'000s
Firefighters	34,670	(1,578)
Firefighters - Retained Duty System	5,502	(234)
Control	1,686	33
Support Staff	11,083	(46)
Total Employment Costs	52,942	(1,824)
Support Costs	2,124	(58)
Premises & Equipment	10,527	373
Other Costs & Services	3,136	(388)
Firefighters' Pension Scheme	1,937	1,736
Financing Items	8,726	80
Operational income	(4,225)	(163)
Contribution to/(from) Reserves	(1,807)	368
Total Other Costs	20,418	1,949
Total Budget	73,360	124
Total Funding	(73,770)	(499)
Funding Gap / (Surplus)	(409)	(374)

The main features of the forecast remain continued underspending on firefighters as a result of the lower headcount, and a lower take-up of the opportunities for rota day working. .

BUDGET TRENDS

Since the Committee considered the medium term financial projections in September 2014 further information has become available around future levels of funding. The Local

Government Association have identified significant reductions in the overall level of revenue support grant for all local authorities. Their predictions are shown below:



Source: LGA's Future Funding Outlook 2014 - outturn data to 2012/13, budget data 2013/14. 2014/15 and 2015/16 based on settlement, 2016/17-2019/20 from LGA projections

Following the Chancellor's Autumn Statement on 3 December 2014 other commentators have suggested that the scale of government funding cuts will be greater in the next five years than they have been in the previous five. This suggests that the scale of savings needed by the Authority will be greater than those reflected in the Medium Term Financial Projections. Initial indications are that savings of £15M could be needed by 2020. This position will not become clear until after the 2015 general election as there are differences in the approach from the main political parties.

RESERVES

At 31 March 2014 the Authority had £9.9m in earmarked reserves and £2.6m in its general reserve. The general reserve represents 3.6% of planned expenditure in 2015/16 and is at the lower end of the Authority's target range. Any net savings in 2014/15 will be available to increase the level of the general reserve if this is judged necessary after a review of the earmarked reserves in March 2015.

The report from the Treasurer (Appendix 1) reviews these factors for 2015/16 onwards including the review periods for the earmarked reserves. Any additional reserves not required after this can be applied to reduce the outstanding capital financing requirement which will reduce the revenue burden in future years of past capital expenditure.

The budget makes provision for the use of £250k of the Authority's "spend to save" reserve in line with the decision made in September 2013 to use this resource to support the installation of sprinklers.

2015/16 BUDGET

The budget for 2015/16 has been drawn up reflecting the key decisions made by the Authority. The budget supports the Corporate Strategy and departmental budgets also reflect the departmental activities in support of the overall strategy. The plans demonstrate the achievement of a balanced budget.

The budget for 2015/16 is summarised below and compared to the most recent forecast for 2014/15.

Description	2014/15 Budget £'000s	2014/15 Forecast £'000s	2015/16 Budget £'000s
Firefighters	36,248	34,670	33,338
Firefighters - Retained Duty System	5,736	5,502	5,208
Control	1,653	1,686	1,401
Support Staff	11,129	11,083	10,511
Total Employment Costs	54,766	52,942	50,459
Support Costs	2,182	2,124	1,993
Premises & Equipment	10,154	10,527	10,151
Other Costs & Services	3,524	3,136	3,271
Firefighters' Pension Scheme	201	1,937	2,000
Financing Items	8,646	8,726	7,588
Operational income	(4,062)	(4,225)	(3,897)
Contribution to/(from) Reserves	(2,175)	(1,807)	345
Total Other Costs	18,470	20,418	21,449
Total Budget	73,236	73,360	71,908
Total Funding	(73,271)	(73,770)	(71,908)
Funding Gap / (Surplus)	(35)	(409)	(0)

STAFF NUMBERS

Overall staff numbers are summarised below:

Staff Budget	2014/15	Changes	2015/16
Wholetime Firefighters	771	-38	733
Strategic Crewing Reserve	44	-44	-
On-Call (Retained) Firefighters	514	-	514
Control Staff	44	-10	34
Support Staff	267	-2	265
Total	1,640	-94	1,546

WHOLETIME FIREFIGHTERS

Employment costs equate to over 70% of the Authority's total revenue budget, with the numbers of firefighters employed the most significant element. The budget reflects the decision made in May 2014 to change the crewing arrangements following the removal of rescue tenders, with the final two fire stations expected to change in June 2015. The budget provides for an average of 44 of these posts are budgeted through the strategic crewing reserve which provides the funding for the coverage of shifts through rota day working and mixed crewing using on-call firefighters. The budget provides for these posts and for a further 159 posts in areas such as training, community safety and resilience. The total number of officer posts reflects the requirements for command and control of incidents based on current planning scenarios.

The average numbers of wholetime firefighters in 2015/16 by role are set out below:

Firefighter Budget (Pay Grades are shown in brackets)	2014/15 Budget	Changes	2015/16 Budget
Chief, Deputy Chief & Assistant Chief Fire Officers (Brigade Managers)	4	0	4
Senior Divisional Officers (Area Managers)	7	0	7
Divisional Officers (Group Managers)	15	2	17
Assistant Divisional Officers (Station Managers B)	32	2	34
Flexi Station Officers (Station Managers A)	10	-4	6
Station Officer (Watch Managers B)	56	-1	55
Sub-Officer (Watch Managers A)	96	-3	93
Leading Firefightes (Crew Managers)	102	-10	92
Firefighters	449	-24	425
Firefighters - Strategic Crewing Reserve	44	-44	0
Total	815	-82	733

ON-CALL (RETAINED) FIREFIGHTERS

The numbers of retained firefighters and the full time equivalent (based on 120hrs per week cover) are summarised below:

Retained Firefighters	2014/15	Changes	2015/16
Head Count	514	0	514
Full Time (120hrs) Equivalent	406	0	406

Recruitment of retained firefighters continues across the county to fill vacancies that arise through normal staff turnover. The budgeted numbers reflect a 10% shortfall in the FTE number compared to the overall target for retained fire stations. The main costs for retained firefighters is for their utilisation, rather than headcount. The retained pay budget reflect the actual levels of activity over the last 12 months and makes no allowance for any abnormal activity levels such as flooding or prolonged summer drought. A specific earmarked reserve is maintained for such eventualities.

It is expected that the numbers of retained firefighters will increase as the recommendations from the retained duty systems review are implemented.

CONTROL STAFF

The budget for control staff reflects resources to cover vacancies, maternity leave and training so that we are able to maintain full staffing. The average number of staff budgeted (34) for reflects a saving of 10 posts from the implementation of the new mobilising system at Kelvedon Park in early 2015.

SUPPORT STAFF CHANGES

For support staff the budget is derived from a review of the organisational departmental structure with the use of managed vacancies. The support staff budget full time equivalent number is 265 next year after allowing for the vacancy factor of 7% (the same vacancy factor was applied for the 2014/15 budget) with a planned reduction to 259 by the end of the year. The number (full time equivalent) budgeted for 2014/14 was 267 (after virements); there is therefore a reduction of 7 posts by the year end. Longer term plans to reduce overall support staff costs by £1m by 2016/17 are not reflected in the budget because the timing of changes have not been agreed. As changes are brought forward the budget will be reduced. Monitoring of the change programme will be through 6 monthly reports to the Audit, Governance and Review Committee.

Support Staff Changes by Department	2014/15	Changes	Average 2015/16	Year End Changes from 2014/15	2015/16 Final Position
Community Commands	29.3	-2.1	27.2	-7.2	22.1
Strategic Management Board	8.4	0.0	8.4	0.0	8.4
Operations	3.9	1.7	5.6	1.7	5.6
Corporate Comms	6.5	1.0	7.5	1.0	7.5
Performance & Data Management	7.4	1.4	8.8	1.0	8.4
Community Safety	22.7	1.1	23.8	1.1	23.8
Workplace Fire Safety	10.1	-1.2	8.9	-1.2	8.9
Health & Safety	5.1	-1.0	4.1	-1.0	4.1
Training	19.9	-6.4	13.5	-6.4	13.5
Fleet & Equipment	44.2	-3.9	40.3	-3.9	40.3
Finance & Pay	11.0	3.1	14.1	3.1	14.1
Purchase & Supply	18.6	-4.8	13.8	-4.8	13.8
Property & Water Services	21.3	0.2	21.5	0.2	21.5
Human Resources	28.1	0.8	28.9	0.8	28.9
Information Communications Technology	21.5	0.4	21.9	0.4	21.9
Other Departments & Seconded Posts	4.9	-0.1	4.8	-0.1	4.8
Emergency Planning (ECC)	10.8	1.0	11.8	1.0	11.8
Total	273.7	-8.8	264.9	-14.4	259.3

The main changes are::

- 7 posts removed from Community Commands after completion of the MIS replacement programme;
- 6 posts removed from HR and Training at the conclusion of the workforce transformation programme;
- 5 posts removed from Catering, Purchasing and Supply; and
- Additional temporary posts in Finance and HR to support the interim management and development of the HR and Payroll system

STAFF COSTS

In addition to the numbers of staff employed the overall employment costs are impacted by a number of other elements. These are discussed in the sections below.

RESILIENCE AGREEMENTS

The budgets for firefighter and retained firefighter pay include a specific provision of £300k for resilience agreements. Firefighters who had agreed to these agreements have provided crewing for the appliances deployed during the periods of industrial action undertaken by the Fire Brigades Union as part of a national dispute since the autumn of 2013.

PAY

The budget for firefighter pay includes additional expenditure on overtime where out-duties are worked, including the payment of allowances for pre-arranged out-duties.

As in recent years the budget makes no specific provision for pay inflation this year. For support staff a pay deal agreed in 2014 remains in place until March 2016. For uniformed staff an allowance for pay has been included in the overall inflation provision of £595k. Should national pay settlements exceed this level then it is expected that offsetting savings will be found within the overall budget.

The full year impact of the increase for firefighters agreed in 2014 is included within the budget. As in recent years it is proposed that as part of the budget monitoring process authority is delegated to the Finance Director & Treasurer to authorise virements to reflect national pay settlements and also virements for inflationary pressures. For the purposes of the budget the provision of £595k for inflation has been included as a contribution to reserves.

PENSION SCHEMES

FIREFIGHTER PENSION SCHEMES

There are significant changes in the pension schemes for firefighters in 2015. A new pension scheme will be in place, with older firefighters remaining protected within the existing schemes. The main impact of the changes is an increase in the employment costs of retained firefighters, many of these firefighters move into the new 2015 scheme with higher employer contributions than the 2006 scheme. This higher costs is offset by a reduction in employer contribution rates for wholtime firefighters who move from the 1992 scheme into the 2006 scheme.

The Authority is required to budget for lump sum charges arising from the ill-health retirement of firefighters. These costs can be spread over three years, starting in the year in which the ill-health retirement occurs. In addition the Authority has to fund the cost of the residual amount of injury scheme payments previously included in the pensions budget. The pension injury payments increase in line with inflation and represent a considerable burden for the Authority. The budget for 2015/16 is £1,950k, there has been one additional injury award made in the year. The level of ill-health retirements has fallen considerably in recent years, and provision has been made for 1 such retirement in 2015/16.

LOCAL GOVERNMENT PENSION SCHEME

The last actuarial review of the local government pension scheme as at 31 March 2013 resulted in an increase in the employers' contribution rate to 13.9% and an annual deficit contribution of £401k.

EMPLOYERS NATIONAL INSURANCE CONTRIBUTIONS

The budget makes provision for the current level of employers National Insurance contributions. The main rates remain unchanged in 2015/16.

INFLATION

Some specific allowances have been made within the budget bids for expected inflationary increases in business rates, utilities and fuel and for higher supplier prices for property related costs. Other inflationary pressures have been absorbed by budget holders.

NON-STAFF COSTS

For non-staffing costs the budget has been based on the outturn expenditure for 2014/15 “normalised” to exclude the impact of any non-recurring expenditure. This base figure has then been adjusted for efficiency gains and to reflect the impact of specific changes planned for the next year.

All departmental budgets were submitted with a statement showing the activities being undertaken in support of the corporate strategy. The budget process was carried out in conjunction with the 2015/16 business planning process so that the financial plans for the year and the departmental business plans were developed in parallel. Departmental budgets and business plans were subject to reviews by the Strategic Management Board.

Significant savings have been made across a range of non-staff costs in recent years. These have been achieved through the following actions:

- Procurement – Often in collaboration with other local authorities and other fire authorities. The Authority participates in the Procurement Agency for Essex and the National Procurement for Fire. The Authority supported a successful bid by Devon and Somerset Fire & Rescue Authority for innovation funding in 2015/16 to support a national procurement hub. We participate in expenditure analysis of spend by function, supplier and category on a national basis. This enables procurement resources to be targeted where they will deliver most savings. In 2015/16 we will support the sector led spend analysis review which are projecting procurement savings of 10% for joint procurement of sector specific items.
- Challenge – New areas of expenditure and all projects are subject to approval processes that requires the preparation and consideration of a business case. A process of “SMB Challenge” was used during the 2015/16 budget build process with internal reviews by independent directors of all departmental budgets as part of their review and challenge by the Strategic Management Board.
- Monitoring – Areas such as Fleet Workshops have extensive records of the maintenance costs of all appliances with all work recorded and costed. This enables the Service to make informed decisions on equipment replacement and demonstrate the savings achieved through the selection of vehicles. Similarly Property Services use the results of condition surveys to inform decisions around expenditure on maintenance and repairs; and
- Restraint – All budget holders have demonstrated the ability to control expenditure and decide if expenditure is appropriate and necessary. This has been supported by a budget monitoring process that provides “Substantial Assurance” according to a review by Internal Audit in late 2011. The continued delivery of in-year savings has demonstrated a high degree of cost awareness and expenditure control and this has been reflected in the budget bids for 2015/16.

All of the major support departments have been subject to independent external scrutiny and review in the last few years.

ICT PROJECTS

The ICT budget has been focussed on the delivery of core priorities such as the new Control Mobilising System and has been restricted to reflect the delivery of change that departmental resources across the Service can support. Priority will be given to projects that deliver cashable savings in future years including the replacement of the high cost Management Information System.

INSURANCE

The Authority's present insurance arrangements were tendered in partnership with eight other Authorities. Proposals to generate further savings from the establishment of a mutual pooling arrangements are on track for implementation in November 2015. This will ensure that benefits as we improve risk management arrangements return directly to the Authority. Funding for the start-up costs of the pooling arrangement has been provided by the government following a successful bid for transformational funding.

REVENUE BUDGET PROVISION FOR CAPITAL FINANCING

The Authority is required to make a statutory provision to fund capital expenditure from council tax. This provision is based on the historic cost depreciation charge for the assets that are purchased. The level of the provision reflects both past capital expenditure, the forecast expenditure in 2014/15 and the planned capital budget for 2015/16. The expected capital receipt from the sale of the former headquarters at Hutton in 2015/16 will provide the opportunity to offset the statutory provision for capital financing, either in 2015/16 or future years.

INCOME

The budget reflects a realistic assessment of income from a range of sources including aerial sites for telephony, re-charges to EFA trading etc. These are analysed in the table below:

Description	Current Full Year 2014-15 Budget £'000s	Full year forecast 2014-15 £'000s	2015-16 Budget £'000s
Income			
Government Grants	(2,286)	(2,271)	(1,832)
Cycle to Work Scheme	(50)	(40)	(38)
Childcare Vouchers	(71)	(87)	(84)
Sales of Vehicles	(40)	(10)	(10)
Canteen Income	(39)	(62)	(49)
Sale of Vehicle Spares	-	(45)	(35)
Aerial Sites	(122)	(122)	(122)
Solar Panels	-	-	(60)
Hydrant Tests	(60)	(80)	(80)
Lease Cars - Employee Contributions	(90)	(87)	(87)
General Sales	(40)	(30)	(26)
Service Charges	(29)	(29)	(9)
Secondments	(105)	(130)	(104)
Community Safety general	-	(11)	-
Labour Credit	(50)	(75)	(50)
Section 12 Income	(27)	(27)	(40)
Interest on short term lending	(140)	(100)	(120)
External Interest Received	(4)	(4)	-
Community Fire Safety	(125)	(125)	(311)
Reimbursements from EFA(T)	(109)	(93)	(84)
Other Miscellaneous Income	(77)	(190)	(147)
Emergency Planning Income	(599)	(608)	(608)
Total Income	(4,062)	(4,225)	(3,895)

1- Note figures may not sum due to rounding differences

Some of the income changes are entirely offset by a change in the Authority's costs, for example the Emergency Planning Income from Essex County Council. The most significant changes are for Community Fire Safety where we are expecting higher funding for schemes such as Firebreak, the new income stream from solar panels, and the reduction in grant income following the completion of the Fire Control project.

PRECEPT AND IMPLICATIONS FOR COUNCIL TAX

The table below sets out the calculations of the proposed council tax and show the changes from the 2014/15 budget.

	2014/15 Budget	Council Tax Freeze 2015/16
	£'000	£'000
Budget Requirement	73,271	71,908
Sources of Finance		
Revenue Support Grant	19,138	16,522
National Non-Domestic Rates	14,712	14,993
Total Grant	33,850	31,515
Collection Fund Surplus	467	715
Precept Requirement	38,954	39,678
Tax Base	586,481	597,373
Council Tax (Band D)	£66.42	£66.42

Note, that the 2014/15 budget excluded the £465k compensation for government imposed rebates to national non-domestic rates as this was not announced until after the budget had been approved. The main changes from 2014/15 are the reduction in government funding and a £724k increase in the precept from the higher tax base. .

CAPITAL PROGRAMME 2015/16 – 2017/18

The affordability of the overall capital programme remains a key factor for the Authority in the next few years. Only if the overall capital programme can deliver financial benefits to offset the additional revenue burden of its financing costs will the projects outlined in this section be initiated. Most significant projects already require Member approval before they can be initiated. All projects coming forward for approval will be required to demonstrate how the financing costs will be met and whether this will be from efficiencies generated by the project or from other areas.

The proposed budget only includes projects that are either approved or an advanced stage in the approval and procurement process. The most significant projects are the purchase of new pumping appliances and the completion of the new mobilising system. The proposed budget is summarised in the table below:

	Budget 2014/15 £'000s	Forecast 2014/15 £'000s	Capital Bid 2015/16 £'000s	Capital Bid 2016/17 £'000s	Capital Bid 2017/18 £'000s
Property					
New Premises					
Service Headquarters	2,185	2,185	-	-	-
Service Workshops	250	250	-	-	-
Other	-	-	-	-	-
Existing Premises					
Solar Panels	1,911	1,652	-	-	-
Asset Protection	2,000	1,600	2,170	2,000	2,000
Asset Improvement Works	-	-	-	-	-
Total Property	6,347	5,687	2,170	2,000	2,000
Equipment	1,645	1,581	736	1,066	25
Information Technology					
Projects > £250k	1,042	498	1,300	-	-
Projects < £250k	2,059	1,766	200	150	150
Total Information Technology	3,101	2,264	1,500	150	150
Vehicles					
New Appliances	2,200	1,400	3,161	1,940	1,940
Other Vehicles	1,121	578	608	565	228
Total Vehicles	3,321	1,978	3,769	2,505	2,168
Total Capital Expenditure	14,414	11,510	8,175	5,721	4,343

Projects where there is not a confirmed business case are excluded from the above figures. This includes the potential changes to properties as part of the forward review of operations. Specific proposals will be brought forward to Members in due course and the impact on future years budgets included in the reports.

CAPITAL RECEIPTS AND CAPITAL GRANTS

The budget includes a capital receipt for the current market value of the Hutton site. Capital receipts can be used to reduce the requirement to finance capital expenditure from the Authority's revenue budget, but no provision for this has yet been made.

The government used their Transformation Funding programme to provide capital grants for 2015/16. The Authority was successful in bidding for revenue funding but made no capital bids as they required "spade ready" projects shared emergency services use of new facilities.

FUNDING CAPITAL EXPENDITURE

The cash generated from the proposed income and expenditure budget is £4.8m with the balance of funding coming from the Authority's cash balances carried forward from 2013/14. In addition a loan of £4m from the Public Works Loan Board will be paid off during the year. After these changes the Authority will still have around £18m of cash balances at March 2015.

LEGAL IMPLICATIONS

The Local Government Act 2003 gives the Treasurer (Section 151 Officer) a responsibility to report to Members of the Authority on his assessment of the robustness of the estimates used within the budget, and on the adequacy of reserves. Members must have regard to the Treasurer's report before the full Authority approves the budget for 2015/16.

The Authority is also required to consider and set the capital financing indicators for the period 2015/16. A separate report on this is included on the agenda for the meeting.

RISK MANAGEMENT IMPLICATIONS

These are covered in the separate report from the Treasurer to Members of the Authority.

FINANCIAL IMPLICATIONS

The financial implications are set out in the report.

EQUALITIES IMPLICATIONS

The budget is designed to provide resources to enable the Authority to carry out its duties in accordance with all statutory requirements. It provides the resources to enable the Authority to meet its equality duties and of itself has no direct equality implications.

USE OF RESOURCES

The use of resources assessment looks at how financial management is integrated with strategy and corporate management, supports Fire Service priorities and delivers value for money. The longer term financial implications of the plans (including the planned level of capital expenditure) have been assessed and are summarised in the paper.

The budget for the Authority is closely linked to the overall Service. At the same time that budget managers prepared estimates of expenditure they were also required to submit departmental plans identifying activities linked to the strategic priorities of the Authority. Subsequent review and amendment to the budget are reflected in revisions to the plans.

The budget recognises that decisions on some key aspects have yet to be made, but is explicit about the financial provision and assumptions made. The revenue and capital budgets are interlinked, and reflect the aim of finding resources to do more, and using the resources on what matters.

The balance between spending and resources is assessed. The budget proposes options for a council tax increase and reflects the impacts of decisions that have been made to ensure that the Authority is able to achieve a balanced budget over the spending review period.

The budget setting process is an important part of the review arrangements by the Members for a range of criteria. The arrangements that have or will be made to ensure that the budget will help the Authority manage and improve value for money are set out in the paper.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents: ---	
List of background documents (not attached): ---	
Proper Officer:	Director of Finance & Treasurer
Contact Officer:	Director of Finance & Treasurer, Mike Clayton Essex County Fire & Rescue Service Kelvedon Park, Witham, Essex CM8 3HB Tel 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk

REPORT BY THE TREASURER TO THE ESSEX FIRE AUTHORITY

This paper provides the report by the Treasurer required by Section 25 of the Local Government Act 2003.. The purpose of this report is to provide a review of the risks within the 2015/16 budget:

INTRODUCTION

The Local Government Act 2003 Section 25 includes a specific personal duty on the "Chief Finance Officer" to make a report to the Authority when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates included within the budget and the adequacy of reserves for which the budget provides. The Act requires Members to have regard to the report in making their decisions.

Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an Authority must provide in setting its budget. The Secretary of State indicated that 'the provisions are a fall back against the circumstances in which an Authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty'.

Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement. There is also a range of safeguards, which are either in place or are about to be introduced, to ensure local authorities do not over-commit themselves financially. These include:

1. The Chief Finance Officer's S.114 powers, which require a report to all members of the Authority if there is or is likely to be unlawful expenditure or an unbalanced budget; and
2. The Capital Financing Regulations.

RISK ASSESSMENT

LOCAL GOVERNMENT ACT 2003

The Local Government Act does not provide any specific guidance on how to evaluate the robustness of the estimates. The explanatory notes to the act do however identify the need to allow for risks and uncertainties that might lead to expenditure exceeding budget by:

1. Making prudent allowance in the estimates; and in addition
2. Ensuring that there are adequate reserves to draw on if the estimates turn out to be insufficient.

It is stressed that decisions on the appropriate level of reserves should not be based on a rule of thumb but on an assessment of all the circumstances considered likely to affect the Authority.

CIPFA GUIDANCE NOTE ON LOCAL AUTHORITY RESERVES AND BALANCES

The Chartered Institute of Public Finance Accountancy (CIPFA) states that the following factors should be taken into account when the Chief Finance Officer considers the overall level of reserves and balances:

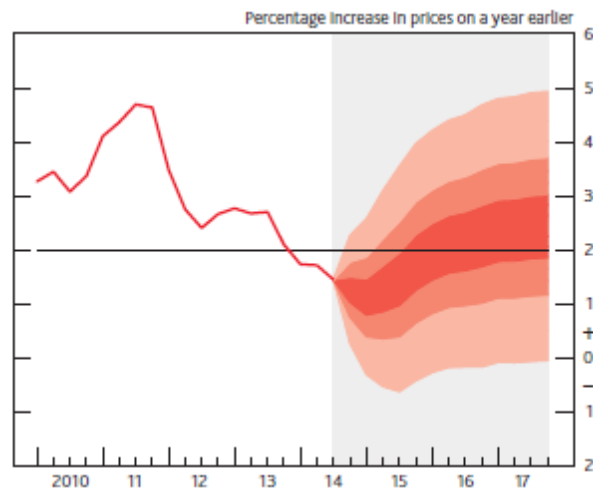
1. Assumptions regarding inflation;
2. Estimates of the level and timing of capital receipts;
3. Treatment of demand led pressures;
4. Treatment of savings;
5. Risks inherent in any new partnerships etc;
6. Financial standing of the Authority (i.e. level of borrowing, debt outstanding etc);
7. The Authority's track record in budget management;
8. The Authority's capacity to manage in-year budget pressures;
9. The Authority's virements and year-end procedures in relation to under and overspends;
10. The adequacy of insurance arrangements.

The above are also of relevance when evaluating the robustness of the budget and the subsequent analysis includes comments on these issues.

ISSUES CONSIDERED WHEN EVALUATING THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE PROPOSED FINANCIAL RESERVES

INFLATIONARY PRESSURES

The background economic climate is more positive than it has been in recent years. The outlook for both inflation remain below the 2% target set for the Bank of England in 2015/16. The Bank of England's November 2014 inflation forecast is shown below:



A key element in the budget preparation process is building in an appropriate allowance for inflation up to 31 March 2016. This adjustment is known as the cash limit. It is inevitable that the cash limit will either over or under provide for the full cost of inflation as no-one knows exactly how prices will vary against the estimates made.

Some specific allowances have been built into the budget for fuel and utility prices where contracts will be renewed or allow for variations. No other specific allowances have been built into the budget for pay and price inflation. Instead an overall inflation and contingency allowance of £595K has been used. If the requirement to increase cash budgets because of pay awards exceeds this provision then either off-setting savings will need to be found elsewhere in the budget, or the additional costs in 2015/16 will have to be funded from

reserves. In most cases Budget Managers absorb inflationary pressures within their departmental budgets.

To assess whether the inflation allowance is adequate it is necessary to consider the impact of both pay and non-pay inflation pressures. Firefighters accepted a 1% pay increase in 2014. One indication of the adequacy of the inflation provision is whether it would be sufficient for a similar increase. The same level of increase in 2014 across all firefighters would add £400k to the budget.

Government expectations are that public sector pay increases will continue to be limited over the next few years. Local government has already complied with government pressure, but future increases, perhaps linked to changes in the overall terms and conditions agreements are expected.

There is a risk that external factors such as oil and commodity prices will flow through to the prices of goods purchased by the Authority. An overall 4% increase in such costs could add £500k to the Authorities costs. Existing contractual arrangements for key items including utilities and personal protective equipment means that price inflation will be limited to significantly less than this amount in 2015/16. Most of the potential increases have been allowed for in the budget, including specific provision for known contractual increases. For other areas increases of this nature would be absorbed by budget managers.

In summary, inflationary pressures remain a financial risk to the Authority's budget, but this is manageable within the overall context of the budget and level of General Balances.

ESTIMATES ON THE LEVEL AND TIMING OF CAPITAL RECEIPTS

The present cash position of the Authority, with cash balances of around £25m expected at the start of the financial year means that there is no funding risk associated with the timing of the capital receipts expected in 2015/16 from the sale of the former headquarters at Hutton.

TREATMENT OF DEMAND LED PRESSURES

The budget process has sought to identify and allow for demand led pressures. The main uncertainties relate to the following areas:-

1. Wholetime Duty System Firefighter Numbers

The budget makes provision for an average of 733 wholetime firefighters in 2015/16. The staffing forecast reflect recent experience in the timing of retirement decisions by firefighters and the promotion of staff to other Services. If firefighters chose not to retire then there is a potential risk that firefighter numbers would exceed the budgeted number.

2. On-Call (Retained Duty System) Firefighters

This budget has traditionally been difficult to estimate as factors such as extensive flooding and hot summers can have a significant impact on the hours worked by part time firefighters. In addition, the use of retained duty staff on a wider range of community safety and risk review activities has increased the level of expenditure. Our experience in 2014/15 has included some significant one off costs associated with periods of flooding and the long running incident at Thoby Lane. The budget for 2015/16 reflects this level of activity.

For the last six years the Service has used a computer based pay system for capturing the activities of retained duty staff and this has allowed more detailed activity plans to be developed and costed. These controls have enabled the Authority to mitigate the risk and manage the level of expenditure, demand led pressure for operational activity could increase costs in this area. There is a specific earmarked reserve to manage any major increase in

the costs of on-call firefighters with an allowance of £1.5m for any potential in-year budget pressures resulting from increased activity levels.

3. Other

Other potential expenditure pressures could result from factors such as an unanticipated need for urgent replacement of operational equipment and a need to respond to nationally driven changes in operational procedures. Such factors are viewed by the Service as relatively low risks and while if they did materialise it could lead to additional expenditure of in the order of £300,000, there would be some scope to meet such costs within the existing budget provision by re-prioritisation.

4. Industrial Action

It should also be borne in mind that the Service is going through a time of change. There are two disputes affecting the Authority. A national dispute around pensions and a local dispute concerning the new shift arrangements for Control. There is potential for both of these to result in strike action. The present resilience arrangements have a fixed (and budgeted) cost of £300k. The implementation of these resilience arrangements costs around a net £10k more per shift to implement. Such costs have been managed within the overall budget in 2014/15 and earlier years.

RISKS INHERENT IN PARTNERSHIP ARRANGEMENTS ETC

The Authority is involved in a range of partnership arrangements mainly in the area of community safety. The financial risks from these partnerships could lead to lower levels of income and partnership funding. A partnership policy is in place, all partnerships are actively managed to mitigate this risk.

FINANCIAL STANDING OF THE AUTHORITY (LEVEL OF BORROWING, DEBT OUTSTANDING ETC.)

This is becoming a less significant issue for the Authority. At 31 March 2014 the Authority had £37.5m of long term debt to fund capital expenditure and a further £0.3m of finance lease obligations. A repayment of £4.0m of debt was made on 1 December 2014 with a further repayment of £4.0m in January 2016. No additional borrowing is planned for the next few years. Further significant capital spending is projected over the next few years. The revenue impact of the planned spend for 2015/16 is included within the budget, and the level of borrowing is within the limits set as part of the bi-annual review of capital financing.

At 31 March 2015 the cash balanced is projected to be £11m. Early repayment of Public Works Loan Board debt attracts financial penalties and so there are no plans for the early repayment of the present debt.

THE AUTHORITY'S TRACK RECORD IN BUDGET MANAGEMENT, INCLUDING ITS ABILITY TO MANAGE IN-YEAR BUDGET PRESSURES

The Authority has a proven track record in financial management and has been able to restrict expenditure to keep within the overall budget. An internal audit report in November 2011 confirmed that the Fire Authority can take substantial assurance from the budgetary controls in place. This area is due to be reviewed again in 2015.

However, the discipline of Financial Regulations – not incurring spending without the necessary budget provision – must be rigidly observed and the monitoring of the riskier budgets must be given priority. It remains of paramount importance that regular reports continue to be produced on all budgets throughout the year to identify emerging problems at

the earliest opportunity. This will allow maximum benefit to be accrued from any corrective action taken.

Incremental improvements to financial processes to ensure that all orders and commitments are captured continued to be made and an Authority wide Contracts Register is in place. There is a high degree of visibility in the level of financial commitments and expenditure for managers who control budgets and their Directors.

The Authority has managed to restrict expenditure in advance of the expected cuts in government funding and achieved significant efficiency savings over the past few years. We have an excellent track record in anticipating and preparing for significant change, and on delivering planned budget savings.

THE AUTHORITY'S VIREMENT AND YEAR-END PROCEDURES IN RELATION TO UNDER AND OVERSPENDS

The Authority has embedded virement procedures that require senior approval to allow funds to be moved to areas of pressure. Budgeted expenditure is only transferred from one budget year to the next with the agreement of Members.

THE ADEQUACY OF INSURANCE ARRANGEMENTS

Current insurance arrangements are in partnership with a consortium of nine fire and rescue authorities. The Authority is one of the larger Authorities in the group (along with Devon & Somerset, Hampshire and Kent) who bear the first part of each loss. These limits are £50k for motor claims (own damage only), £25k for public and employers liability and £5k for property. In addition the Authority maintains a provision for the value of unsettled and unknown claims. These arrangements have delivered significant savings to the Authority over recent years.

There is a potential risk that this will expose the Authority to an increase in costs if consortium members experience a high level of claims. To reflect this potential risk the level of reserves held for insurance related costs remains at £1.0m. The present contractual arrangement for insurance was retendered during 2013 and the level of insurance premiums payable was maintained. In November 2015 the insurance will transfer to a pooling arrangement of the consortium, under these arrangements the Authority will directly benefit if it reduces the number and value of its claims, although there is also a small increase in exposure to the claims experience of the other Authority's in the consortium. The consortium continues to work together on benchmarking and improving risk management to help to mitigate this risk.

PENSION LIABILITIES

5. Fire-fighters

The liability for firefighter pensions, whilst remaining with the Authority has been transferred to a separate account funded by government grants. The level of authority contributions has been reviewed for 2015/16.

6. Support staff

The Authority makes contributions to the Essex County Council Local Government Pension Fund in respect of its control and support staff, which are invested in order to meet its liability to provide for the benefits provided to past employees and future benefits for existing employees. The Fund is valued every three years with the most recent valuation based on the position as at 31 March 2013. The level of contributions by the Authority is fully reflected in the 2015/16 budget and these rates and amounts will be fixed until March 2017.

RESERVES

The general reserves of the Authority were £2,574k on 1 April 2014. The present forecast suggests that the Authority has a net underspending in 2013/14 which will be either be utilised to make voluntary contributions towards capital financing, or to increase the general reserve. The budget for 2015/16 makes no planned use of the general reserve.

EARMARKED RESERVES

The Authority has established specific reserves to manage key financial risks. Movements between these specific reserves are determined by the Treasurer and reported to Members. The table below considers the specific reserves planned and the timetable for their review:

Specific Reserves	Comment & Review	March 2014 Balance £'000s
Emergency Planning	To hold savings on the costs of Emergency Planning Reviewed annually with Essex County Council	315
Retained Payroll – Demand Pressures	Main area of risk is retained pay budget. Need to provide £1.5m in case of in-year pressure Reserve at Maximum Limit – To be reviewed March 2015.	1,500
Spend to Save Reserve	Good track record of delivering savings. Provides the ability to fund a period of transition before savings are delivered. £1,930k allocated for solar panels and £250k allocated for sprinklers in both 2014/15 and 2015/16 Reviewed Annually – Level to reduce.	2,930
Taxbase and Collection Account Reserve	A new area of risk for 2013/14. Initially set at 2.5% of precept income. Reserve at Maximum Limit – To be reviewed March 2015.	1,000
National Non-Domestic Rates Collection Reserve	A new area of risk To be reviewed for 2016/17 after three years of the new arrangements.	600
Infrastructure Reserve	To support future capital expenditure on buildings. Planned increase to even out future capital spending	1,000
Rolling Budgets Reserve	To hold balances of expenditure carried forward into the next financial year. £584k utilised in 2013/14. Reviewed in March each year.	584

Specific Reserves	Comment & Review	March 2014 Balance £'000s
Business Continuity Reserve	To provide funds for any business interruption event not covered through insurance. Reviewed annually. Recommended level is maintained.	500
Insurance	Provide for an amount equivalent to 2 years premiums (£1.2m) and an amount in respect of in-year losses (£0.3m) To be reviewed in 2015 when Pooling arrangements commence.	1,500
Total		9,929

Apart from the provision for taxbase and collection account fluctuations these areas have previously been included in the assessment of the general level of reserves. The changes to the taxbase calculation following the localisation of council tax support and the increased collection risk create new uncertainties for the Authority. This is complicated by there being fourteen separate billing authorities.

Factor	Comment	Lower Limit	Upper Limit
Inflation and interest rates	The increase in the overall level of borrowing exposes the Authority to a degree of risk in the future if loans cannot be replaced at a similar interest rate. An increase of 2% on a loan of £20m would add £0.4m of costs equivalent to 0.6%	0.6%	1.5%
Level and timing of capital receipts	At present the Authority is funding a significant capital programme with a gap before capital receipts will be realised. This risk is offset by high cash balances which eliminate the need for borrowing in 2015/16	0.2%	0.5%
Savings Track Record in Budget Management Capacity to Manage in Year Budget pressure	Good track record of delivering savings identified.	1.5%	4.7%
Partnerships	Increased risks associated with Community Budgets. Limited partnership funding of £0.2m pa	0.2%	0.6%
Financial Standing	Increasing level of borrowing limits future flexibility. Separate provision for future years.	0.5%	2.0%
Total		3.0%	9.3%

The lower limit of 3.0% of turnover equates to £2.1m and the upper limit of 9.3% of turnover equates to £6.6m. The Authority is at the lower end of this range.

CONCLUSION

Given the level of General Balance available in 2015/16 of £2.6m; the prudent approach to the budget setting process for next financial year; and the Authority's good past record of budget management, it is my conclusion that there is sufficient capacity in the budget to cope with the financial risks the Authority faces in 2015/16 and future years.

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

AGENDA ITEM

**Audit, Governance & Review
Committee**

10

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/011/15

SUBJECT

Treasury Management Strategy – Mid Year Report 2014/15

REPORT BY

The Finance Director and Treasurer, Mike Clayton

PRESENTED BY

The Finance Director and Treasurer, Mike Clayton

SUMMARY

In accordance with the requirements of the CIPFA Code of Practice on Treasury Management, a set of indicators were approved by the Authority in February 2014, which are intended to demonstrate that capital investment plans are affordable, and that consequential borrowing will be based upon sound treasury management strategy. The Code of Practice requires these indicators to be monitored and reviewed on a rolling basis. The purpose of this report is therefore to report on the Authority's performance in the first six months of 2014/15 against these indicators.

RECOMMENDATIONS

It is recommended that Members of the Audit, Governance and Review committee:

1. Note the treasury management position for 2014/15; and
2. Note performance against the treasury management indicators for 2014/15.

BACKGROUND

There are two separate and distinct elements to capital financing that need to be provided for in the Authority's budget. The first is the requirement to finance the capital expenditure of the Authority from the annual revenue budget. The second issue is the need to fund the cash requirements for capital expenditure when payments fall due. This report deals with both aspects of capital financing.

Funding Capital Expenditure from the Revenue Budget

Within the Authority's revenue budget there is a provision for the annual charge required to fund past capital expenditure. This is known as the Minimum Revenue Provision (MRP)

charge for capital financing. This is the amount required for each financial year to ensure that the capital expenditure of the authority is charged against the income and expenditure account and financed through the Authority's income. The financing provision can also come from the Authority's capital receipts (the sale of previously funded assets), or from capital grants received.

For capital expenditure the annual charge for each asset is calculated on a depreciation basis, based on the original cost of the capital expenditure. Unlike the normal depreciation charge the value of the capital financing charge does not alter if the asset's value changes. Prior to 2008 all capital expenditure was financed over a fixed 25 year period.

In 2013/14 we made a statutory provision of £9.1m. The balance of capital expenditure yet to be financed from capital receipts, grants or the revenue expenditure budget was £37.8m at 31 March 2014 and forward projections of the capital financing charges arising from the planned level of capital expenditure are covered in this report.

Cash and Capital Expenditure

Separate considerations apply to the cash funding of capital expenditure as it is incurred. The Authority will generate cash during the year if there is a net underspend against the revenue budget and from any non-cash provisions within the accounts such as the capital financing charge described above.

If capital expenditure exceeds the available cash in any financial year the Authority can borrow the cash required. There are two main sources of cash for local authorities, these are the use of asset leases and secondly the Public Works Loan Board (PWLb). The attractiveness of each option depends on a number of factors including the relative interest rates for the Authority. The interest rates are influenced by market factors including the availability of cash to lenders, longer term government gilt interest rates, the tax regime and availability of tax allowances to commercial lenders etc. The Authority has not used lease finance since 2005, but the position is subject to annual review by the Treasurer.

At 31 March 2014 the Authority had £37.5m of PWLB loans with one loan of £4.0m which is to be repaid in December 2014. At the same time we had £26.6m of cash. The penalties on early repayment of PWLB loans mean that there is a significant cost to the Authority if surplus cash is used to reduce borrowings, whilst the Authority's expenditure plans mean that the cash surplus will be utilised over the next few years.

One part of the cash surplus can be said to equate to the reserves that the Authority has built up from past years underspending against the revenue budget. At 31 March 2014 these reserves totalled £12.5m.

TREASURY MANAGEMENT GUIDANCE

Local Authorities determine their own level of borrowing for capital purposes, based upon their judgement regarding the affordability, prudence and sustainability of that borrowing. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management underpins this capital financing system to support authorities in taking decisions upon capital investment.

The primary requirements of the Code are:

1. Creation and maintenance of a Treasury Management Policy Statement;
2. Creation and maintenance of Treasury Management Practices which set out how the Policy will be achieved;
3. Adoption of an annual Treasury Management Strategy Statement, including the policy on the minimum revenue provision for capital expenditure funding;
4. Mid-year and annual stewardship reports;
5. Delegation by the Authority of responsibilities – the monitoring of the Strategy is delegated to the Audit Governance and Review Committee.

This mid-year report has been prepared in accordance with the code of practice.

TREASURY MANAGEMENT STRATEGY STATEMENT

The Treasury Management Policy Statement was approved by the Authority in February 2014. The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Authority.

The statement identified 12 Treasury Management Practices

- TMP1 Risk management;
- TMP2 Performance measurement;
- TMP3 Decision-making and analysis;
- TMP4 Approved instruments, methods and techniques;
- TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements;
- TMP6 Reporting requirements and management information arrangements;
- TMP7 Budgeting, accounting and audit arrangements;
- TMP8 Cash and cash flow management;
- TMP9 Money laundering;
- TMP10 Training and qualifications;
- TMP11 Use of external service providers; and
- TMP12 Corporate governance.

RISK MANAGEMENT

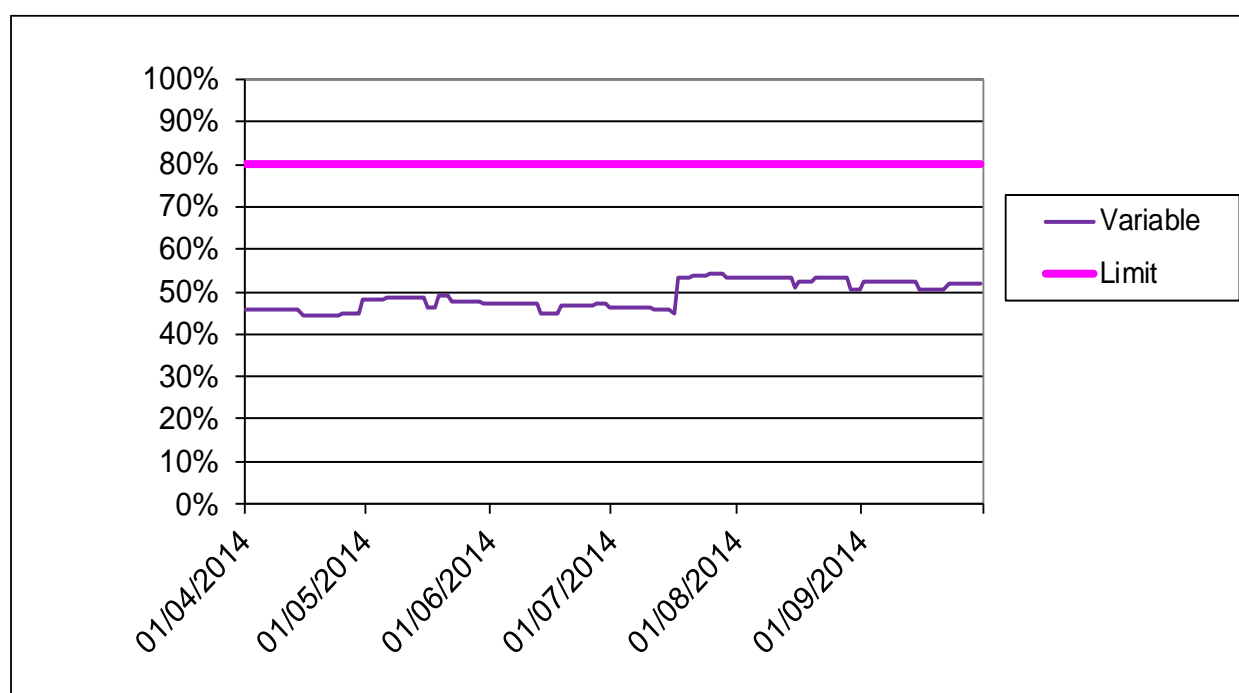
Credit & Counter Party Risk Management

With the cash balances that the Authority presently has the key risk to be managed is that of credit and counterparty risk management. Funds are currently held with the Authority's bankers (Lloyds Bank) and with one AAA rated money market fund (CCLA). In addition the Authority has a Debt Management Account Deposit Facility where surplus funds are deposited with the Government's debt Management Office. This is in accordance with the Authority's policy that requires counter parties, except the Authority's bankers, to have AA or AAA ratings.

Interest Rate Risk Management

The main factor affecting the balance between exposure to fixed and variable interest rates is the increase in the Authority's cash balances. All of the Authority's long term borrowing is at fixed interest rates, and all of the investment of surplus funds is at variable rates. The relative proportions currently ensure that the maximum exposure to variable interest rates is below the 80% upper limit as shown in the graph below:

Figure 1 - Exposure to Variable Interest Rates



Other Risk Management Issues

The present level of cash balances means that the Authority has no exposure to refinancing risks for the next few years. There have been no issues around controls, regulatory risks, fraud or errors in the year.

CAPITAL EXPENDITURE PLANS

The actual capital expenditure that was incurred in 2013/14 and the estimates of capital expenditure to be incurred in 2014/15 are summarised below.

	2013/14	2014/15	
	Actual £000s	Original Forecast £000s	Updated Forecast £000s
Total Payments	8,120	13,379	14,414
Financed by			
Capital Grant/receipts	2,961	6,259	6,259
Internal Resources	5,159	7,120	8,155
Total Financing	8,120	13,379	14,414

The 2014/15 forecast has increased by £1.035m following the approval at Policy and Strategy in January for additional spend on equipment (£353k), ICT projects (£397k), solar panels (£131k) and vehicles (£154k). This forecast will continue to be reviewed during the year.

The incremental effects of these plans on our revenue expenditure are shown below:

Incremental effect on revenue of the 2014/15 capital programme and borrowing			
	2014/15 £000s	2015/16 £000s	2016/17 £000s
Interest & MRP cost of 2014/15 programme	360	1,297	1,297
Interest cost of existing PWLB loans	-	245	883
Existing provision for repayment (MRP)	-	-	116
Incremental revenue cost in each year	360	1,542	2,295

Incremental impact of new capital investment on Council tax

The incremental impacts on the 2013/14 and 2014/15 council tax of the capital programmes are shown below:

Incremental effect on Council Tax of the 2013/14 & 2014/15 Capital Programme		
	2013/14 £000s	2014/15 £000s
Effect on Council tax	£0.35	£0.61

In practice this additional cost is managed through the overall budget process with the impact of savings from past and current projects contributing to the overall budget.

Ratio of financing costs to net revenue stream

Estimates of the ratio of financing costs to budget requirement for 2014/15 and the actual figures for 2013/14 are:-

Ratio of financing costs to net revenue stream		
	2013/14 £000 Actual	2014/15 £000 Estimate
Original 2014/15 estimate	10.48%	8.45%
Updated estimate	14.47%	11.25%

The estimates include interest payable and receivable, and the amounts required for the repayment of external loans. Net revenue streams represent the amounts to be met from government grants and local taxpayers.

CAPITAL FINANCING REQUIREMENT

The Capital Financing Requirement (CFR) represents the amount of capital spending that has not yet been financed from capital receipts, capital grants or contributions from the revenue budget. This balance therefore reflects the authority's underlying need to borrow, or finance by other long-term means, for capital purposes. The CFR will be influenced by the capital expenditure in each year, the receipts from asset disposals and the level of government grants.

The comparison of the CFR to the original indicators for 2014/15, and the updated indicators for 2014/15 are shown below:-

Estimate of Capital Financing Requirement				
	31/3/14 £000	31/3/15 £000	31/3/16 £000	31/3/17 £000
Original 2013/14 estimates	30,858	34,255	31,548	26,915
Updated 2013/14 indicators	37,837	40,949	39,454	32,772

Net borrowing and the Capital Financing Requirement

In order that, over the medium term, net borrowing is only undertaken for capital purposes, net external borrowing must not, except in the short term, exceed the total of the Capital Financing Requirement in the previous year, plus the estimates of any additional capital financing requirement for the current and next two financial years. The authority has not had net additional external borrowing since 2009/10 because it has funded capital expenditure from internal generated cash resources.

The Authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. In day-to-day cash management, no distinction can be made between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for capital purposes.

In respect of its external debt, the Authority approves authorised limits for its total external debt gross of investments. These limits separately identify borrowing from other long-term liabilities, such as finance leases.

The recommended limits are based upon the estimate of most likely, prudent, but not worst-case scenario, with sufficient headroom for fluctuations in cash balances. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the CFR and estimates of cash flow requirements for all purposes.

The authority also approves operational boundaries for external debt. This is based on the same estimates as the authorised limit, but reflects directly the Treasurer's estimate of the most likely, prudent, but not worst case scenario, without the additional headroom included within the authorised limit to allow for unusual cash flow movements, and equates to the maximum external debt projected by this estimate. The operational boundary represents a key management tool for monitoring by the Treasurer.

	2013/14 £000	2014/15 £000
Actual Borrowing	37,500	33,500
Authorised limit	39,500	47,200
Operational Boundary	36,500	44,200

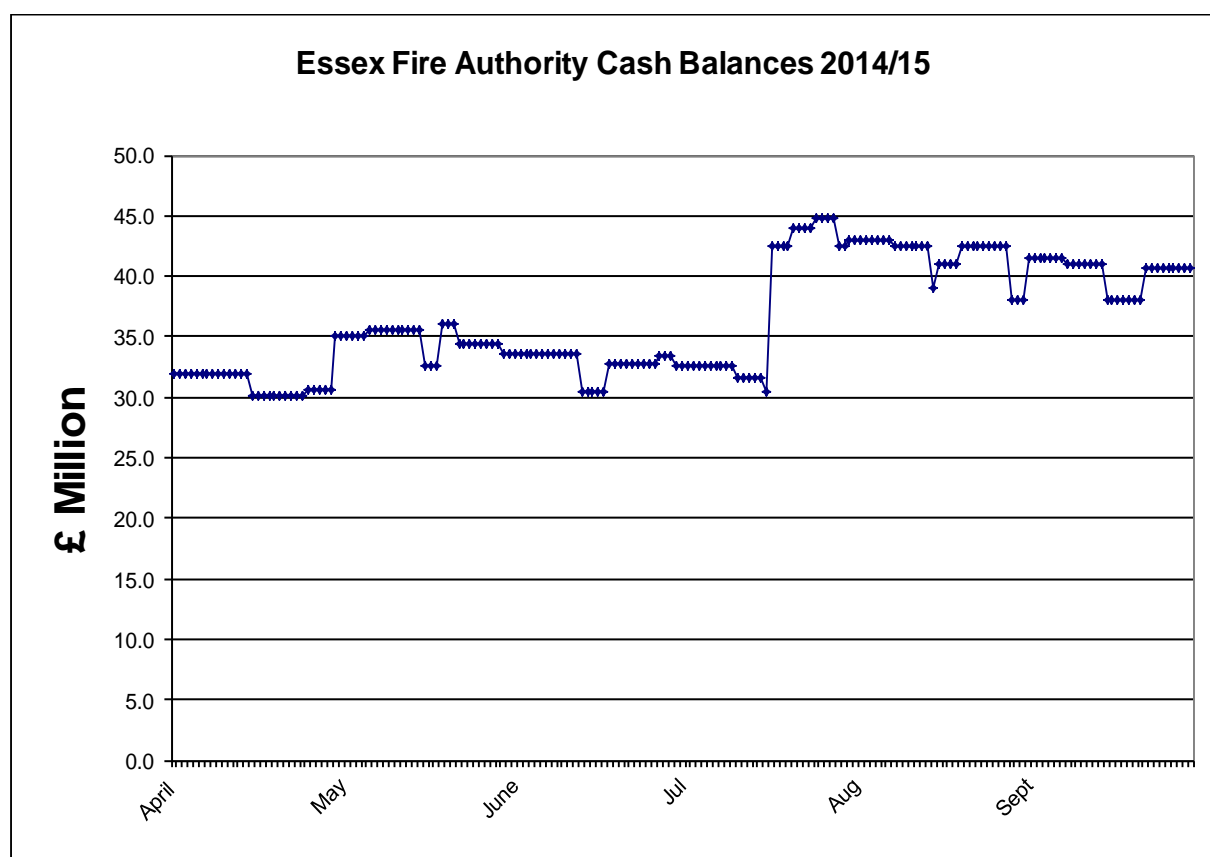
The authority has remained within the operational limit during 2014/15.

TREASURY MANAGEMENT 2014/15

Investments – First six months of 2014/15

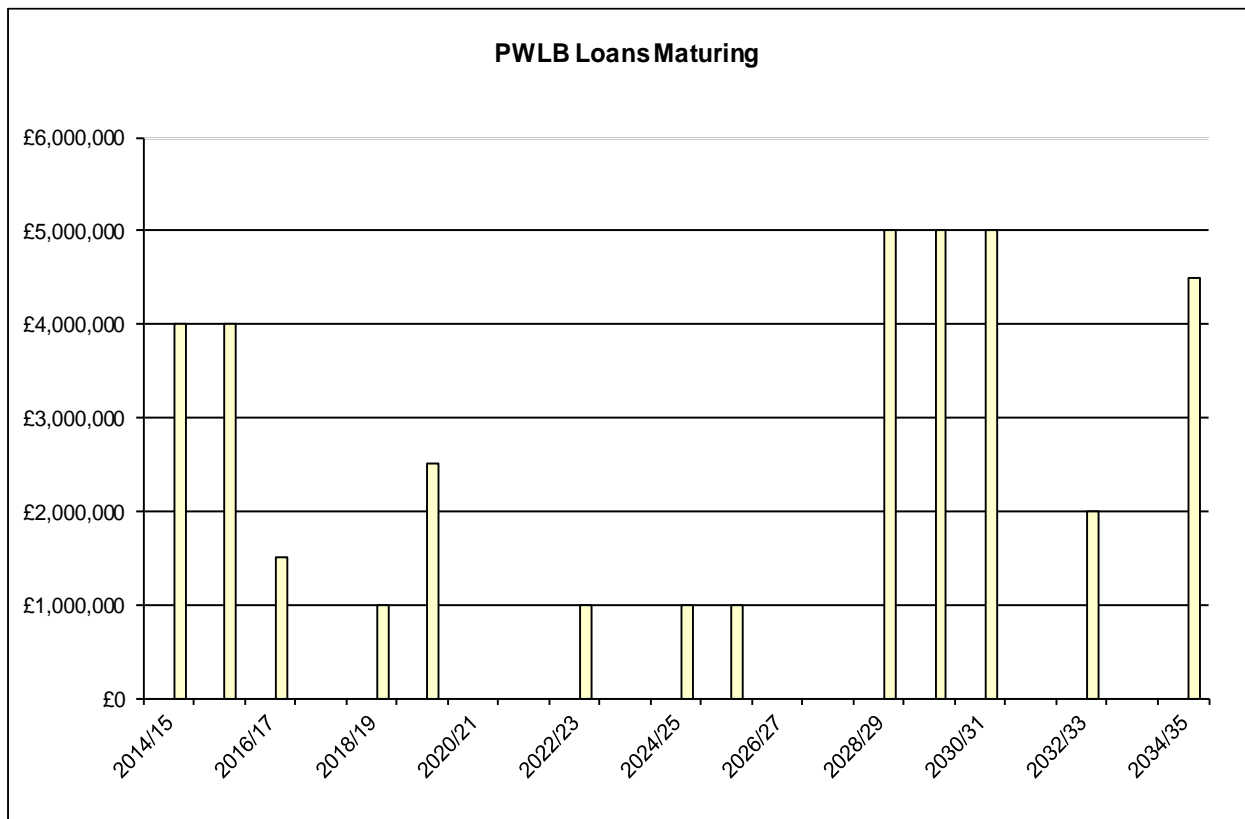
Most of the Authority's income is received on a bi-monthly basis from billing authorities and Central government. As illustrated in the graph below, the level of outstanding investments decreases during each month as expenditure is incurred, with the largest reductions occurring when the monthly payrolls are paid. Funds are invested with either Lloyds or CCLA (Charities, Churches and Local Authorities money market fund) or the Debt Management Account Deposit Facility. The interest earned by the Authority on its investments during the first six months of 2014/15 was **£58k** at an average rate of **0.29%**.

The sharp increase in July reflects the funding provided by the government for the deficit on the Authority's Firefighter Pensions Account.

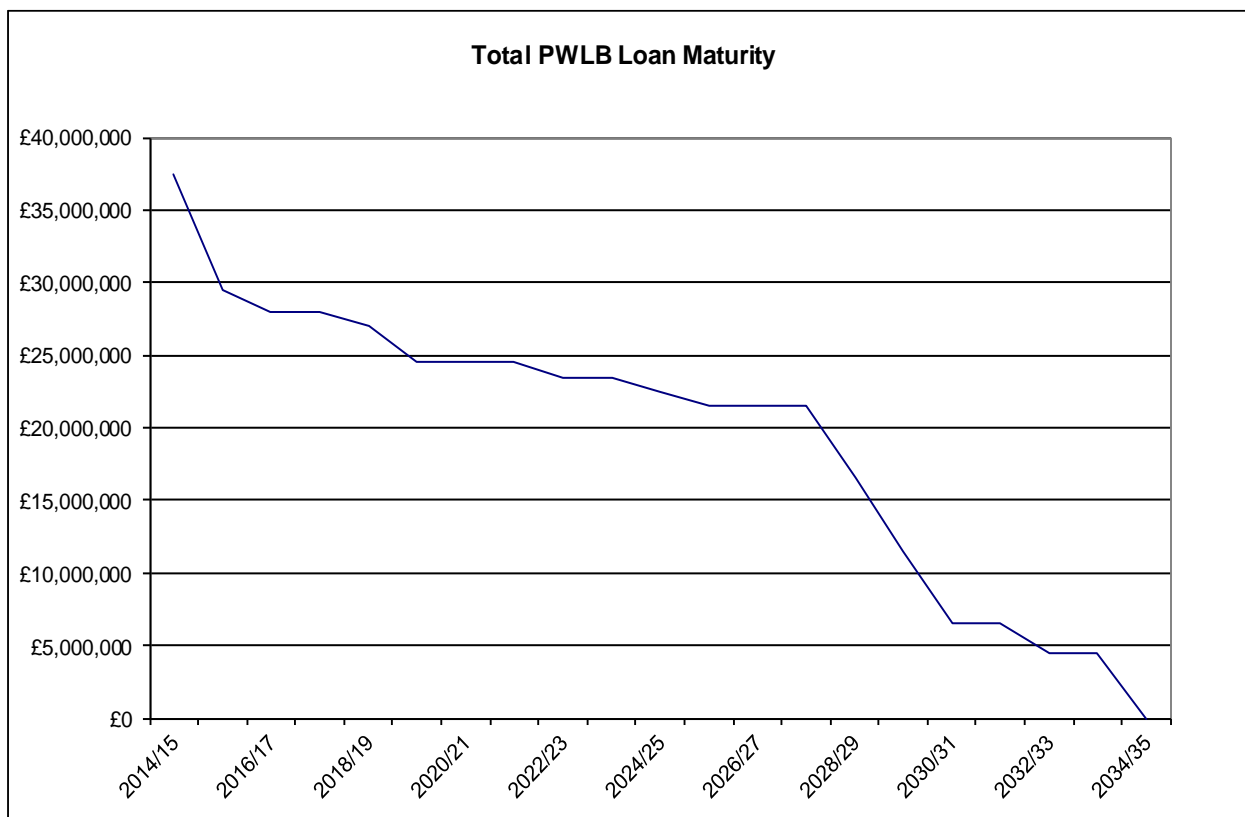


Borrowings and repayments

The total level of long term debt at 30 September 2014 was **£37.5m with a** long term loan of **£4m** due to be repaid at 1 December 2014. The first graph below shows the maturity profile of all outstanding PWLB loans, and the second the cumulative profile.



The longest dated loan is one of **£4.5m** that runs until December 2034.



Maturity structure of borrowing

The Authority has set upper and lower limits for the maturity structure of its borrowings. The proposed limits were calculated as the projected amount of fixed borrowing that is maturing in each period, as a percentage of the total projected borrowing that is fixed rate.

Maturity profile upper limits		
	2014/15	
	Original Limit %	Actual Profile %
Period		
under 12 months	31	31
12 to 24 months	31	31
24 months to 5 years	16	16
5 to 10 years	31	31
10 years and over	100	100

RISK MANAGEMENT IMPLICATIONS

The purpose of this report is to set out the risks and the approach to risk in the financing of capital expenditure.

LEGAL IMPLICATIONS

The Treasury Management Code places significant responsibilities upon the Treasurer. Through the Treasury Management Code the Treasurer must ensure that all relevant matters with regard to setting or revising these indicators are reported to Members. The Treasurer is also responsible for establishing procedures for monitoring performance against the Treasury Management indicators.

It is for the Authority, to make the judgement between the constraints of affordability and the demands of services for capital investment. The advice of the Treasurer is, however, important as the Treasury Management Code has to be considered in conjunction with the specific duties placed upon the Treasurer, by section 114 of the 1988 Act, for proper financial administration.

FINANCIAL IMPLICATIONS

The financial implications are set out in the report.

USE OF RESOURCES

There are two implications for the Authority regarding the use of resources and value for money implications of the approach to funding capital expenditure. Firstly, there is the balance between utilising cash surplus generated by the Authority and held as Reserves, and external borrowing. The Authority's approach to the retention of reserves is considered as part of the budget setting process. The intention is to provide funds to enable significant fluctuations in expenditure within a budget year to be absorbed, whilst maintaining on-going expenditure funded by government grants and council tax.

The cash generated as reserves are used to reduce borrowings, should the reserves be needed to fund expenditure, the borrowings of the authority will increase. The second implication is in the choice of lender. The lender of choice for the Authority is the Public Works Loan Board.

EQUALITY IMPLICATIONS

There are no equality implications associated with the recommendations within this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with the recommendations within this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents	
Proper Officer:	Director of Finance & Treasurer
Contact Officer:	Mike Clayton, Essex County Fire & Rescue Service, Kelvedon Park, London Road, Kelvedon CM8 3HB 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk

Treasury Management Indicators		2013/14 Actual	2014/15 Original Forecast	2014/15 Updated Forecast
Indicators for Affordability				
Ratio of financing costs to net revenue streams	%	14.47%	11.25%	11.25%
Indicators for Prudence				
Net borrowing and capital financing requirement		<i>It is not envisaged that net borrowing will exceed the Capital Financing Requirement over this period.</i>		
Confirmation of treasury management good practice		<i>Treasury management will be carried out in accordance with approved policies and practices.</i>		
External debt within prudent and sustainable limits		<i>Prudential indicators for external debt take account of their affordability.</i>		
Indicators for capital expenditure				
Capital expenditure	£000	8,120	13,379	14,414
Capital financing requirement	£000	37,837	40,949	40,949
Indicators for external debt				
Actual external debt	£000	37,500	33,500	33,500
Authorised limit	£000	39,500	47,200	47,200
Operational boundary	£000	36,500	44,200	44,200
Interest rate exposures				
Upper limit - fixed rates	%	100	100	100
Upper limit - variable rates	%	80	80	80
Maturity structure of borrowing (upper limit)				
Under 12 months	%	13	31	31
12 months and within 24 months	%	52	31	31
24 months and within 5 years	%	33	16	16
5 years and within 10 years	%	13	31	31
10 years and above	%	100	100	100
Total sum invested for more than 364 days	£000	-	-	-

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING	Audit Governance & Review Committee	AGENDA ITEM	11
MEETING DATE	21 January 2015	REPORT NUMBER	EFA/012/15
SUBJECT	Business Continuity		
REPORT BY	The Finance Director & Treasurer, Mike Clayton		
PRESENTED BY	The Finance Director & Treasurer, Mike Clayton		

PURPOSE OF REPORT

This report provides an in depth review for the Committee of one of the areas agreed for the 2014/15 work plan. It covers the business continuity activities carried out during 2014.

RECOMMENDATION

The Committee is asked to consider the business continuity activity and determine whether this provides sufficient assurance that the activities of the Service will continue after a business continuity interruption.

BACKGROUND

In January 2014 the Committee received an internal audit report on business continuity arrangements. The report made two recommendations concerning the timely provision of business continuity plans by departments and the arrangements for planned exercising and testing of the plans. The area was selected for a follow up report in 2014/15 by the Committee.

The planned disposal of the Hutton site in 2015 has sharpened the business continuity focus. With Hutton no longer providing any back-up, the need to identify temporary locations for collective working by departments in the event that Kelvedon Park becomes untenable for a period of time, has had to be matched by the realistic resources (ICT and work space) available to accommodate teams. The new build at KP and the changed ICT environment have introduced its own challenges from time to time. Business Continuity Validation and real events increase the catalogue of activity to report on to Members. This report identifies those activities.

In addition, there is an aspiration to align the Service business continuity management system to the British Standard for business continuity management systems and crisis management guidance.

Service business continuity plans are reviewed each year, and cover:

- Corporate and Departmental arrangements,
- Crisis Management,
- Industrial action and Infectious Diseases,
- Fuel, and
- Fire Stations

VALIDATION

Validation is an integral part of the business continuity management life cycle as expressed within the Business Continuity Institute's Good Practice Guidelines 2013.

The Good Practice Guidelines are the independent body of knowledge for good business continuity practice worldwide. They represent current global thinking in good business continuity practice and now include terminology from the international standard for business continuity management systems.

The six professional practices contained within the guidelines include Policy and Management; Analysis; Design; Implementation; Embedding Business Continuity and Validation. Together they make up the Business Continuity Management (BCM) life cycle which is central to good practice.

Validation is the professional practice within the BCM lifecycle that confirms that the BCM programme meets the objectives set in the Business Continuity Policy and that the organisation's Policy is fit for purpose. The purpose of validation is to ensure that the capability reflects the nature, scale and complexity of the organisation it supports and that it is current, accurate, and complete and that actions are taken to continually improve organisational resilience.

Validation is achieved through by the following three activities;

- Exercising;
- Maintenance; and
- Review.

EXERCISING.

As part of a response to the Business Continuity internal audit, an invitation from the Risk and Business Continuity Department was sent out to department heads' at the end of 2013 to participate in an exercise to validate their business continuity department plans. During 2014 nine departments have taken up this opportunity over 4 training days and have gone through a table top type exercise, the details of which are as follows;

27th January – Operations Department and Finance Department.

Representatives from these departments undertook a table top exercise with a scenario designed to gradually reduce the number of personnel available to them (severe weather lasting over a three week period).

The department heads' discussed how their business continuity plans could be adapted to maintain core activity against the loss of personnel. The Critical Incident Team (CIT) – Severe Weather was discussed in detail.

29th April – Technical Fire Safety Department and Safer Communities Department.

A similar exercise to the previous exercise but with the scenario concerning a reduction in personnel caused by Infectious Disease, in this case influenza, over a three week period.

The department heads' discussed how their plans needed adaptation to acknowledge a denial of personnel and how to maintain functions by moving personnel across departments. The CIT – Flu was discussed and the possibility of moving uniformed personnel across departments and directorates.

4th July – Human Resources and Organisational Development, Learning and Development, Occupational Health Department.

The same scenario was presented to these department heads' as the previous one.

The department heads' referred to their business continuity plans and recognised the need to adapt them for a situation which denies personnel for a medium period of time.

24th October – Health and Safety Department and Executive Department.

A similar scenario was used with these department heads' (denial of personnel in the medium term).

The department heads' discussed the impact of reduced personnel over several waves of influenza and how their plans would need to adapt to such a scenario.

Outcomes

When examining their business continuity plans department heads had concentrated their efforts on coping with a denial of premises (relocation to another service site, or working from home), or a loss of ICT (reverting to paper led systems). However although the guidance within the plan asked if a single critical person exists within the department, this was not used to further develop the repercussions of losing several personnel and how the department would keep going.

The exercises gave the department heads an opportunity to revisit their plans and look at how they could adapt them to maintain risk critical core functions. All of the applicable learning outcomes from the exercises have been used by department heads to enhance their planning. An example of this is the Health and Safety department head now has available to him a folder containing all aspects of business continuity including items not included in the BCP (personnel contact numbers out of hours etc.).

MAINTENANCE

An important part of the BCM lifecycle is to manage the documentation, and maintenance of the BCM programme ensures that this documentation is kept up to date and that current and relevant documentation is distributed to appropriate interested parties. In accordance with routine business, the annual plan review request went to all department heads' in the Spring asking for a revisit their business continuity plans and to submit new versions to the Risk and Business Continuity Department particularly taking account of the loss of the Hutton site.

All but one Kelvedon based departments submitted their plans in 2014 to enable a critical assessment to be undertaken. All of the submitted plans are now available on a network drive, as well as hard copy at Kelvedon Park for a CIT, in the event one is called for. In addition, each department has identified a single point of contact to feed into a CIT, recorded in plans.

REVIEW

The purpose of Review is to evaluate the BCM programme and identify improvements to both the organisations implementation of the BCM Lifecycle and its level of organisational resilience. Review occurs through annual checks on content and through validations that identify appropriate changes to plans. Business continuity is a management function that mitigates risks to service delivery, and is therefore directly linked to departmental and corporate risk management.

REAL EXPERIENCES

The Service experienced periods of strike action and two significant events in 2014 that interrupted normal business continuity.

Industrial Action

Between September 2013 and December 2014 there have been 48 periods of strike action by the Fire Brigades Union in support of a national dispute over pension arrangements. The Service's resilience plans have been used successfully on all occasions and are considered to be best practice nationally.

MDT Risk Information Data Corruption 18 June 2014

Because of an error in the data refresh process key operational and risk information was deleted from mobile data terminals on all appliances. Contingency measures were put in place to provide operational and risk information to the incident ground if required until resolution of the issue. This was a partial service loss; mapping data, hydrant information and the crash recovery system were unaffected. There was also a loss of availability of appliances while the remediation was carried out over a 2 day period, equating to a total of 129:40 hours lost availability.

ICT Server Room Power Outage 22 September 2014

A power outage on the 22nd of September resulted in five hours disruption to some ICT systems at Kelvedon Park, most people were able to work after one hour's disruption without the need to implement department business continuity plans. The issue that created the power outage did provide an opportunity to validate some ICT procedures and the learning outcomes were reported. Staff working at Kelvedon Park were kept informed throughout the power outage and were able to make decisions in a timely manner regarding their business continuity.

FUTURE PROPOSALS.

The Risk & Business Continuity Department is working towards a visible and available business continuity management system via the intranet and in hard copy. This will enable each department to quickly locate other departments should a closure of Kelvedon Park mean relocation to a range of sites as set out in the departmental plans. Validation through exercises will continue in 2015, with the emphasis on getting whole departments together and walking them through their plan. In addition to table top exercises site denial exercises are also planned.

Revised Infectious Disease and Emergency Fuel Plans will be released in 2015. These documents will concentrate on business continuity through the use of business continuity plans and critical incident teams. A revised Fuel Plan is particularly necessary as the invocation of the National Emergency Plan for fuel appears unlikely, making some parts of the existing Service Plan out of date. In addition, a collaborative arrangement with Essex Police, in the early stages of development at the time of this report, should conclude in early 2015.

RISK MANAGEMENT IMPLICATIONS

The successful application of business continuity increases an organisations resilience which, in turn, contributes to higher corporate performance. Resilience is widely defined as the ability of an organisation to absorb, respond to and recover from disruptions. Business continuity uniquely provides the framework to understand how value is created and maintained within an organisation and establishes a direct relationship to dependencies or vulnerabilities inherent in the delivery of that value.

FINANCIAL AND USE OF RESOURCES IMPLICATIONS

The exercises described in this report were carried out using the existing resources of the Authority. The resilience arrangements implemented during periods of strike action had a net additional cost of £2,300 per hour with a total net additional expenditure of around £0.5m in the current financial year.

LEGAL IMPLICATIONS

Both the Fire and Rescue Services Act and the Civil Contingencies Act, both 2004, require by implication or expressly that a Category 1 Responder is obliged to have business continuity arrangements in the event that it is the subject of a business continuity interruption. In addition, good business continuity arrangements contribute to risk mitigation, in turn contributing to good governance arrangements.

HEALTH & SAFETY, EQUALITY, ENVIRONMENTAL IMPLICATIONS

There are no other implications from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper: Table of Recommendations	
Proper Officer:	Mike Clayton
Contact Officer:	Finance Director and Treasurer Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 mike.clayton@essex-fire.gov.uk

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

12

MEETING DATE

21st January 2015

REPORT NUMBER

EFA/013/14

SUBJECT

Pension Governance

REPORT BY

Lindsey Stafford-Scott, Director of Human Resources and Organisation
Development

PRESENTED BY

Lindsey Stafford-Scott, Director of Human Resources and Organisation
Development

SUMMARY

The purpose of this report is to provide information to Members regarding the governance arrangements of pension arrangements within the Authority. In addition this report will update Members regarding the pending changes to the pension arrangements for Firefighters in April 2015.

RECOMMENDATIONS

Members of the Audit, Governance and Review Committee are asked to:

1. Note the content of the report and the activity in 2014 related to the governance of pension arrangements and to note the activity pending in 2015 to ensure the effective introduction of the Pension Board and the new Firefighters' Pension Scheme
2. Note the need for a further report to update Members on the arrangements for the Fire Scheme Pension Board and to receive information regarding the proposed terms of reference for the Board and membership.

BACKGROUND

Currently the Fire Service is the scheme employer for three pension schemes. The Firefighters' Pension Scheme 1992, the New Firefighters' Pension Scheme 2006 and the Local Government Pension Scheme 2014.

The Local Government Pension Scheme changed in April 2014. The main changes to the scheme are as outlined in the following overview:

- CARE scheme (Career Average Revalued Earnings)
- An amended accrual rate of 1/49th

- Annual revaluation by CPI
- Normal retirement age is state pension age
- Voluntary retirement from age 55 (without employer consent but with reduction to benefits)
- Benefits accrued prior to 1st April 2014 are protected
- Protection is in place for those within 10 years of retirement in April 2012
- Pensionable pay is actual pay
- Average member contribution is 6.5 %

Despite the Scheme regulations being delayed and not advised to employers until mid-March, the new scheme was introduced by the HR service and Payroll in time for April's pay and each employee received an individual letter advising of the new pensionable pay arrangements and their contribution rate.

Training has been provided to the HR teams on the pension implications of HR processes such as redundancy, ill health retirement and business efficiency. An overview is being maintained of scheme arrangements to ensure efficiency of processes.

Activity has been undertaken to ensure that the two firefighter schemes (the 1992 and 2006 scheme) already in place are being managed appropriately. This scrutiny has revealed some areas where the scheme rules have been interpreted incorrectly or where there has been an anomaly in the application of the regulations.

As a result of this the following activity has taken place in the latter part of 2014:

- A review of the application of the Finance Act 2004 regarding Protected Pension Age arrangements for members of the Firefighters Pension Scheme 1992
- A review of the legislation changes to the Fire Schemes in July 2013 and in particular a closer scrutiny of pensionable pay arrangements and abatement for both Fire pension schemes.

There is a specific complaints process related to pension scheme administration which is called the Internal Dispute Resolution Procedure (IDRP). Should any employee who is a member of a pension scheme have a specific complaint about their pension arrangements, they will be directed to use this process. For Firefighters at Stage one of the process the complaint will be heard by the Chief Fire Officer. Any Stage two complaint will be heard by a panel of Members. For members of the Local Government Pension Scheme a Stage one complaint is reviewed by the West Yorkshire Pension Fund, with whom we have a review arrangement for the IDRP process. A Stage two complaint will be heard by the Director for Essex Legal Services.

The retained modified scheme

During 2014 the Authority has been managing the arrangements for the introduction of a new national scheme which provides access to a modified scheme for retained firefighters employed by the Essex Fire Authority between 1st July 2000 and 5 April 2006. The exercise to write to individuals who were employed between this period has been undertaken during 2014 and has a statutory deadline for completion of 1st April 2015.

The Authority has written to 761 individuals setting out the terms of the scheme and seeking their expression of interest. Of these 244 individuals have responded and calculations are being provided to enable them to understand the cost of joining the scheme.

The scheme provides an accrual rate of 1/45th, a normal pension age of 55 years and a deferred pension age of 60 years which will be attractive to many.

Essex Fire Authority is largely adhering to timescale for the introduction of this pension scheme. Any delays are minor and are related to outstanding queries about the scheme regulation which have been lodged with the Department for Communities and Local Government. We are aware that other authorities are behind with their implementation and emergency legislation may be introduced to automatically provisionally enrol employees in the scheme for those authorities who are behind with their implementation timetable.

Administering Authority arrangements

Currently the Authority contracts with the Essex Pension Fund to provide the administering arrangements for the Fire Pension Schemes. This is managed by a Service Level Agreement which is negotiated annually.

Whilst it is recognised that in the past, the channels of communication between the Authority and the Essex Pension Fund were not as effective as they could have been, and that this has led to some misunderstanding about the application of relevant legislation, the relationship and communication with the Essex Pension Fund has improved markedly in recent months. Weekly conference calls are held for the project management of the retained modified scheme and a monthly meeting is held between officers of the Fire Authority and officers of the Essex Pension Fund. This has helped ensure a good channel of communication and information flow and has strengthened the understanding of decisions which the Authority needs to make in the effective management of pension arrangements, particularly for the Fire Pension Schemes.

The Service Level Agreement with the Essex Pension Fund for the administration of the Authority's Fire Pension Schemes will be renegotiated shortly for the financial year 2015 – 2016.

Essex Pension Fund provides the administration for the Local Government Pension Scheme. The LGPS is a funded scheme and the cost of administering the scheme is borne by the scheme and the Fire Authority is a participating employer in the scheme. Currently the Fire Authority has the right to appoint a member to the existing Pension Board.

Developments in 2015

There are a number of developments in 2015 for Members to note.

The most notable of course is the introduction of a new Fire Pension Scheme in April 2015.

The main scheme regulations are as outlined in the following overview:

- CARE scheme (Career Average Revalued Earnings)
- An accrual rate of 1/59.7th (2006 scheme is 1/60th, 1992 scheme is 1/60th and 2/60th for the last ten years before retirement)
- Normal pension age of 60 with early retirement terms from age 55 e.g. 21.8 % reduction if benefits taken at age 55 compared to 40.5% in the FPS 2006 scheme and approximately 40% in the LGPS
- Deferred pension age will be state pension age for those who have no protection within either the 1992 or 2006 scheme.
- Employee contribution rates. The current 1992 and 2006 scheme rates will remain in place for members who remain in the schemes. For example the FPS contribution rate is 14.2% for those earning more than £21,000 and up to £30,000, for the NFPS this rate is 10.4%. In the new scheme the rate for 2015-2016 will be 10.0% for those earning up to £27,000 and for those earning over £27,000 and up to £50,000 this rate will be 12.25%.
- Protections. For a member of the 1992 scheme, full protection is given if at 1st April 2012 the member were aged 45 or over. For a member of the 2006 scheme full

protection is given if at 1st April 2012 the member is age 50 or over. Tapered protections apply for both schemes. No firefighter will work beyond their current expected pension age until 2022.

- The Government has committed that the reforms put in place will last for at least 25 years.

The Authority is awaiting the scheme regulations to enable it to plan for the implementation of the new scheme with effect from 1st April 2015. The regulations are critical to enable our payroll provider to configure the SAP payroll system for the new scheme. There is a risk that late notification of the regulations will have an impact on the Authority's ability to have a smooth introduction of the new scheme.

Whilst the scheme is within the responsibility of the Department of Communities and Local Government, the small resources which are available in this department has meant that it is difficult to obtain timely practical advice on pension scheme matters. This also affects our Administering Authority although they do have more regular access to DCLG officers by the forum of a Technical working group on Fire Pension Scheme matters.

There are five developments which will help with pension scheme administration in the future.

- The first is the establishment of a fixed term appointment at the Local Government Association of a Firefighters Pension Adviser whose remit is to help plan for the new scheme introduction as well as consider the Governance arrangements related to the Fire Schemes. The Fire Authority is contributing a small cost to this resource as are other Fire Authorities within the country. This role will provide the development of scheme guides related to the new scheme as well as terms of reference for the new Pension Boards. The Local Government Pension Scheme has developed good scheme guides for use by Human Resources and Payroll and historically have good resources within the Local Government Association for the oversight of the scheme.
- Secondly, it is recognised that there is a need to collaborate across Fire Authority's to ensure that we can support each other in pension administration matters by sharing good practice, learning and resources such as communications, draft letters, guides etc. The Essex Fire Authority has taken the lead on establishing this regional group with membership from Norfolk, Suffolk, Hertfordshire, Cambridgeshire, Bedfordshire and Kent and the first meeting was hosted at Kelvedon Park on the 8th January.
- It is proposed that a representative of a Fire Authority in the region will attend the regular technical working group meetings which will ensure that the views of an employer are fed into this group as well as facilitate reporting from the group to employers.
- The SAP development project aims to redesign the core build of SAP to reflect the business accurately and will ensure that systems can be configured to capture data on pension arrangements more accurately and will facilitate reporting on pension issues. This will be essential for providing reports to the new Pension Board.
- Finally a new permanent role of Pension Manager has been established within the Fire Authority which will provide effective and proactive management of Pension arrangements with the Authority (which by April 2015 will cover five pension schemes) reporting to the Director of Human Resources and Organisation Development. The selection for this role has concluded and the new employee will commence with the Fire Authority at the end of February/beginning of March.

It is thought that it is an appropriate time to commission an external audit of pension arrangements within the Authority. This will review the application of regulation, policies and internal controls in place and assess against requirements of Fire Pension Schemes following historic change. It will also assess the appropriateness of policies and revisions to planned

procedures scheduled for the new scheme changes. The audit will be undertaken by KPMG with a view to conclude during March.

Pension Boards

April 2015 will see the introduction of Pension Boards for all Public Sector Pension Schemes. There are draft regulations for the Firefighters' Pension Schemes in England which comply with the requirements in the Public Service Pensions Act 2013 to establish new arrangements for governance, including a mechanism to control future costs of the scheme. The regulation will set up two new bodies which will be made up of employer and scheme member representatives. The first of these two bodies is a national Scheme Advisory Board. The Boards' primary role is to provide the Secretary of State for the Department for Communities and Local Government with advice on desirable changes to the Scheme's regulation, when requested.

Secondly, the draft regulations set out that a local Pension Board should be formed by each fire and rescue authority. These local Boards may be advised by the national Scheme Advisory Board and are there to assist the scheme manager in the efficient and effective administration of the pension scheme.

The draft terms of reference and administration arrangements for the Pension Board will be developed with a view to appointing members to the Board by April 2015. It is unclear at present if Fire Authorities will be able to share Pension Board arrangements as is the case with the Police Pension Scheme for example.

The draft regulations provide for an equal number of member and employer representatives and must consist of at least four members. Member (employee) representatives are appointed for the purpose of representing members of the Firefighters Pension Scheme. These may be, but are not limited to, trade union representatives. As the regulations stand, the member must be in scheme employment and therefore must be a firefighter who is currently employed by a fire and rescue authority. This means that former firefighters (which could include pensioner members if they are no longer employed as a firefighter) cannot be a member representative.

Employer representatives are appointed for the purpose of representing employers. These may be, but are not limited to, councillors or officers of the authority. However an officer or member of the authority which is responsible for making decisions on the pension scheme is not permitted to be a member of the Board as the Board may be scrutinising the decision of that officer or member. Therefore the Director of HR and OD cannot be a member of the Board.

The draft regulations currently state that it is for the scheme manager to determine the terms of appointment to the Board but in doing so, they must be satisfied that the individuals have the capacity and understanding to represent either the employer or scheme members, as appropriate. A training programme for Board members will be developed to commence before the first meeting of the Board. It is hoped that regional collaboration will be possible in the provision of training to Board members.

If a similar approach to that for the LGPS is taken, the guidance may suggest that having the local Pension Board 'established' doesn't mean all the members must be in place and suitably trained and the Board must meet by 1st April. However as a minimum we should aim to ensure that the terms of reference are in place and the Board's constitution has been approved by 1st April. There will therefore be a need for a further report to Members on this prior to April 2015.

Pension Board arrangements LGPS

The Essex Pension Fund has set up a small governance working group consisting of existing Board members. A special Pension Board meeting to discuss the outcomes of the Governance working group is being held on the 19th January where a decision will be made to recommend to full council in February.

Other issues for 2015

Opting out

Human Resources will monitor opting out rates for all pension schemes to consider if it can determine any increase in leavers from the Fire Pension Schemes because of the introduction of the new 2015 scheme. Regular communication will be available on the intranet and by direct mailing to any optant out to ensure they fully understand the benefits of the scheme they are considering leaving.

Pension liberation

With pension unlocking, a person aged 55 or over can release up to 25% of their total pension as a tax free lump sum. An individual unlocking their pension will almost certainly mean they will have less income in retirement and, as a result, unlocking is only suitable for a very limited number of people and circumstances. In the future individuals may be able to take more than 25% of their pension savings as a cash lump sum after the age of 55 – but this would not come into effect until at least April 2015. An individual unlocking their pension before the age of 55 may lose most of their retirement savings and may also receive tax charges of over half the value of their pension for taking an 'unauthorised payment'.

The Fire Authority will liaise with the Essex Pension Fund regarding any cases where there is a concern about pension transfer requests and consider issuing targeted communication to individuals who are considering liberating their pension.

RISK MANAGEMENT IMPLICATIONS

There are risks inherent to the management of pension scheme arrangements. The regulations are complex and require some interpretation to ensure compliance and good practice. The steps outlined in this paper are designed to minimize the risks in the management of pension arrangements.

There is a risk of failing to implement the new Fire Pension Scheme in time if regulations are delayed.

FINANCIAL IMPLICATIONS

The new role of Pension Manager will assist with the introduction of the new fire pension scheme. However as the appointment is unlikely to be before the end of February, there will be a continuation of the additional temporary resource within Human Resources to manage these arrangements until such time as the new employee is inducted into role.

The cost of the external audit arrangement will be funded from an SMB budget.

Individual pension complaints. In accordance with any complaint about employment matters the cost of settling pension complaints will be assessed against the risk of on-going litigation.

LEGAL IMPLICATIONS

Pension regulation is statutory and the duty of the Authority is to comply with regulation. It is recognized that complex regulation introduced with little lead in will pose a compliance risk. It is felt that the measures that Essex Fire Authority has put in place to date will mitigate this risk.

EQUALITY IMPLICATIONS

The Authority has responded to the consultation regarding the new Fire Scheme parameters and it is our view that the Scheme in its current form will disadvantage part time employees. Our model would indicate that a quarter of NFPS contributors would pay decreased employee contribution rates. Three quarters of NFPS contributors would pay increased contribution rates. This would therefore indicate that full time staff would benefit most from the new scheme.

There is little data available which would indicate if there are any additional equality issues within the new scheme.

The Fire Authority has responded to the Government Consultation on Fitness Standards and Assessment.

ENVIRONMENTAL IMPLICATIONS

A balance will be struck between the communication of new pension information to individuals electronically and in paper format. The overriding need is to ensure that all employees have accessible information. It is recognised that for some a paper format may be more accessible.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
List of background documents (not attached):	
Proper Officer:	Lindsey Stafford-Scott, Director of Human Resources and Organisation Development
Contact Officer:	Lindsey Stafford-Scott, Director of Human Resources and Organisation Development Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: l.stafford-scott@essex-fire.gov.uk

