

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



Audit, Governance and Review Committee Agenda

10:00	Wednesday, 20 January 2016	Kelvedon HQ ,
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Quorum: one third of the Committee's membership (5)

Membership

Councillor John Knapman
Councillor Alan Bayley
Councillor Graham Butland
Councillor Mark Coxshall
Councillor Michael Danvers
Councillor Carlo Guglielmi
Councillor Ivan Henderson
Councillor Paul Honeywood
Councillor Michael Hoy
Councillor Maggie McEwen
Councillor James Moyies
Councillor Colin Seagers
Councillor Anne Turrell
Councillor Julian Ware-Lane
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.

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

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Part 1

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

Pages

1 Apologies for Absence

2 Minutes

7 - 12

To approve as a correct record the minutes of the last meeting of the Committee held on 7 October 2015.

3 Declarations of Interest

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

Decision Items

4 Audit Recommendation - Report on Progress Against Action Plans

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To consider report EFA/011/16 by the Finance Director and Treasurer.

5 Audit Reports

25 - 82

To consider report EFA/012/16 by the Finance Director and Treasurer.

6 Internal Audit Progress Report

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To consider report EFA/013/16 by the Finance Director and Treasurer.

7 Budget Review - November 2015

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To consider report EFA/014/16 by the Finance Director and Treasurer.

8 Draft Budget for 2016-17

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To consider report EFA/015/16 by the Finance Director and Treasurer.

9 Community Development and Safeguarding (Evaluation report 2013/14 - 2014/15)

133 - 134

To consider report EFA/016/16 by the Assistant Chief Fire Officer for Safer & Resilient Communities.

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| 10 | Pension Governance and Administration and Employer discretions for the Firefighter Pension Schemes
To consider report EFA/017/16 by the Director of Human Resources and Organisational Development. | 135 - 148 |
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Information Items

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| 11 | Programme 2020 - Progress Report
To note report EFA/018/16 by the Acting Chief Fire Officer. | 149 - 152 |
| 12 | Organisational Performance Report
To note report EFA/019/16 by the Director of Human Resources and Organisational Development. | 153 - 164 |
| 13 | Health and Safety Annual Report 2014/15
To note report EFA/020/16 by the Director of Human Resources and Organisational Development. | 165 - 182 |
| 14 | Achievement First Appraisal Process
To note report EFA/021/16 by the Director of Human Resources and Organisational Development. | 183 - 188 |
| 15 | Date of Next Meeting
To note that the next meeting of the Committee will take place on Wednesday 20 April 2016 at 10.00 am. | |
| 16 | Urgent Business
To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency. | |

Exempt Items

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

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

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

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Urgent Exempt Business

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

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MINUTES OF A MEETING OF THE ESSEX FIRE AUTHORITY AUDIT, GOVERNANCE AND REVIEW COMMITTEE HELD ON WEDNESDAY 7 OCTOBER 2015 AT 12.45 PM

Present:

Councillor J Knapman	Chairman
Councillor A Bayley	
Councillor G Butland	
Councillor C Guglielmi	
Councillor I Henderson	
Councillor P Honeywood	
Councillor M Hoy	
Councillor M McEwen	
Councillor J Moyies	
Councillor C Seagers	
Councillor A Turrell	
Councillor A Wood	

The following Officers were present in support throughout the meeting:

Dave Bill	Assistant Chief Fire Officer - Operations
Paul Hill	Assistant Chief Fire Officer – Safer and Resilient Communities
Mike Clayton	Finance Director and Treasurer
Lindsey Stafford-Scott	Director of Human Resources and Organisational Development
Shirley Jarlett	Deputy Clerk and Monitoring Officer
Daniel Harris	Baker Tilly (Internal Auditors)
Fiona Lancaster	Committee Officer

Apologies for absence were received from Councillors J Ware-Lane, M Coxshall, M Danvers, and Debbie Hanson and Martina Lee of Ernst & Young LLP (External Auditors).

1. Minutes

The minutes of the meeting held on 15 July 2015 were agreed as a correct record and signed by the Chairman.

2. Declarations of Interest

The Chairman reminded Members that they should declare any interests at this point or during consideration of the appropriate agenda item.

3. Audit Recommendation – Report on Progress Against Action Plans

The Committee considered report EFA/086/15 by the Finance Director and Treasurer, which provided an update on progress against the action plans developed by the Service in response to audit reports. Items marked as completed in the previous quarter's report had been deleted from the table included with the report.

In presenting the report, the Finance Director and Treasurer advised that progress was being made in relation to getting signed agreement for each of the eight agreements on the Service's Partnership register, and that the outstanding work regarding employee taxes was now being pursued. He also reported that Andy Allsopp, Head of Communications and Marketing, Essex County Council, was currently overseeing the Fire Authority's work and helping to review the future requirements of the corporate team in the absence of a permanent Head of Corporate Communications.

Members noted that Business Continuity testing was ongoing and dates for future exercises would be incorporated into individual department Business Plans. A Risk Management review meeting was planned for later in the month to ensure progress against all internal audit recommendations was on track.

Resolved:

1. That the Director of Human Resources and Organisational Development would provide a further update on the recruitment plans for a new Head of Corporate Communications at the next meeting of the Committee on 20 January 2016.
2. That the progress made against the action plans developed by the Service in response to audit reports be noted.

4. Auditors Report on Accounts

The Committee considered report EFA/087/15 by Finance Director and Treasurer, which provided a summary of the findings from the 2014/15 audit, prepared by the External Auditors, Ernst and Young LLP.

Members noted the proposal to issue a qualified value for money conclusion in light of the weaknesses in arrangements for promoting and demonstrating the principles and values of good governance identified as part of the independent cultural review.

The report was otherwise noted.

5. Internal Audit Progress Report 2015

The Committee considered report EFA/088/15 by the Finance Director and Treasurer, which provided an update on progress against the internal audit action plan.

In commenting on the report, Daniel Harris of Baker Tilly advised that as a result of three audits being delayed following requests by management for changes to fieldwork dates, the reports on ICT, Workforce Planning/Utilisation and Data Retention would be presented to the next meeting of the Committee on 20 January 2016.

Members noted that no issues of concern had been identified from the fieldwork carried out to date which were likely to result in a qualified or negative annual opinion.

The report was otherwise noted.

6. Investment Policy and Use of Reserves

The Committee considered a report EFA/089/15 by the Finance Director and Treasurer on the Authority's cash and reserves position, and on the policy in respect of investment, cash holdings and reserves.

In considering the report, Members noted:

- That the rules concerning borrowings from the Public Works Loan Board (PWLB) meant that there would be no financial benefit for early repayments on loans, as the full amount of interest due until the end of the loan period would have to be paid. Interest rates were set on the date loans were taken out.
- No new loans had been entered into since March 2010 as the Authority had sufficient cash balances to fund its level of capital expenditure.
- That the CCLA Property Fund could be used for longer term investments.
- That the Authority was still waiting for a decision by central government in respect of amounts due to the government for pension injury payments. A provision of £13.3m had been made for this. The Authority did not anticipate being charged interest costs as a result of the government's delay of a decision.
- It was forecast that £2.7m of cash would be needed to fund the planned level of capital spending in the current year.
- There would be a repayment of £4m of PWLB loans in January 2016.
- The forecast cash position had been reduced to £3.5m by the year end.
- Proposals for the 2020 programme might need to be financed by cash, in which case it was likely that the Authority would need to borrow money to fund the capital programme.
- There was no specific reserve allocated for redundancy costs as the Authority's policy (adopted in 2010) was not to make compulsory redundancies.

The Committee thanked the Finance Director and Treasurer for answering the questions raised previously regarding the treatment of investment, cash holdings and reserves. In the light of the information provided, it was agreed that the existing policy should remain unchanged for the time being.

Resolved:

That no changes be made to the Authority's policy in respect of investment, cash holdings and reserves.

7. Budget Review – August 2015

The Committee considered report EFA/090/15 by the Finance Director and Treasurer which reported on expenditure against budget as at 31 August 2015, and which reviewed the forecast outturn for 2015/16 and reported on the approval of some significant budget virements.

In introducing the report, the Finance Director and Treasurer highlighted the underspend for whole time fire-fighter employment costs due to the reduction in employer contributions to the pension scheme. Payments for on-call firefighters were over budget, and the industrial action in June and August accounted for the additional resilience costs.

In considering the report, Members noted:

- That the current forecast projected a small underspend of £28k for the year, although continuing industrial action was likely to prevent this being achieved.
- That the Policy and Strategy Committee had formally approved the budget virements on 23 September 2015.
- That capital expenditure was on target and new appliances were now being delivered.
- That improvements had been made to the on-call firefighter's recruitment process.
- That there were accepted mechanisms in place for proper consultations with staff and Unions, and channels existed to allow for challenges to data.

Resolved:

1. That the review of income and expenditure against the budget be noted.
2. That the forecast position for 2015/16 be noted.
3. That the budget virements summarised in the paper be noted.
4. That the actual position with capital expenditure be noted.
5. That further details regarding the overspend on Support Staff (refer page 2 of report EAF/090/15) be provided in future reports.

8. Organisational Performance Reporting

The Committee considered report EFA/091/15 by the Director of Human Resources and Organisational Development which provided an update on the Service's Performance for the period September 2014 to August 2015.

The Members noted the annual measures which were not included in the update, as well as those measures still under development and subject to the confirmation of the 2020 programme.

The following information was provided in response to Members' questions and comments:

- The Committee discussed the current position with regard to the mobilising system, including the impact on the morale and productivity of Control Room staff. It was noted that a review of the 12 hour shift pattern would be carried out in January 2016, and it was anticipated that the new mobilising system would also go 'live' in that month, the exact date to be determined based on feedback from staff, following a period of consultation.

- Members noted that as a result of the summer holiday peak leave period and industrial action days, total appliance availability was below target.
- The Committee noted that all managers had been reminded to complete annual staff appraisals by the end of October. Although the process was not onerous, feedback had indicated that more simplicity was needed for the electronic forms. Ongoing appraisal training was available so that there could be a move away from focusing on quantity completed rather than quality.
- Sickness levels were benchmarked against a range of other fire authorities and targets set accordingly. A new attendance policy was due to be implemented, and it was hoped that a move to a less punitive approach would improve the experience for staff, with an associated positive impact on attendance rates. Members noted that opportunities to work differently and to undertake modified duties were available to those who were temporarily unable to perform their usual roles.
- In considering the Performance Summary on page 3 of Appendix 1 to the report, Members noted that performance was not currently being measured against 'Family'.

Following lengthy discussion on the reasons for the below target performance levels and how improvements could be made, the report was noted.

9. Safer and Resilient Communities Update

The Committee considered report EFA/092/15 by the Assistant Chief Fire Officer – Safer and Resilient Communities, Paul Hill, which provided a detailed update on the Authority's Safer and Resilient Community activity in 2014/15.

During a presentation of the highlights, the Members noted that additional funding had been awarded in relation to Firebreak courses as a result of the positive outcomes achieved, and that the Authority had been selected to be the National Centre of Excellence for Duke of Edinburgh Awards for the Fire Service nationally.

The following information was provided in response to Members' questions and comments:

- The Assistant Chief Fire Officer – Safer and Resilient Communities has responsibility for safeguarding matters, and regularly delivers presentations and briefings. Self-assessments and investigations were being carried out, although the Authority did not have a statutory obligation to do this.
- There was evidence to suggest that overnight charging of e-cigarettes could cause fires.
- The Authority works with Age UK Essex, local authorities, and private companies to offer fire safety courses, as well as providing more practical support to those residents aged 65 years and over. Budget pools with these organisations could be beneficial.

Members commended ACFO Paul Hill and his team for the wide range of activities and achievements of the past year, helping to reduce the level of incidents across the county.

The report was noted.

10. Date of Next Meeting

Members noted that the next meeting of the Committee would take place on Wednesday 20 January 2016 at 10.00 am.

The meeting closed at 2.30 pm.

Signed.....

Chairman
20 January 2016

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

Audit, Governance & Review
Committee

AGENDA ITEM

4

MEETING DATE

20 January 2016

REPORT NUMBER

EFA/011/16

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.

MATTERS RAISED IN THE FOLLOW UP REVIEW

At the July 2015 of the Committee the Internal Auditor presented their follow up review for 2014/15. There are now two recommendations that had been outstanding in the previous year where the actions remain in progress. The position regarding these audit recommendations is detailed below:

Original Recommendation	Current Position
Partnerships - A signed agreement between all parties should be held by the Service for each partnership to provide assurance to the Service that all parties have agreed to their	In Progress – Action with partners to get signed agreements continues.

Original Recommendation	Current Position
respective responsibilities.	
Employee Taxes - In addition to the work already undertaken, Essex Fire Authority should continue to recover the excess Class 1A NIC from HMRC. As there is likely to be tax and NIC due to HMRC on the payments discussed in 3.7 any overpayment can be set off against these sums.	In Progress – This matter was overlooked by the department and is now being pursued.

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
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
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. The measures must also be quantified to ensure the Authority can identify whether all benefits have been realised.</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.	Head of HR & OD March 2016	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Communications	<p>The Head of Communication should devise three separate strategies and implementation plans, demonstrating outcomes and performance measures for the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Corporate Public Relations; <input type="checkbox"/> Employee Engagement; and <input type="checkbox"/> Community Safety. <p>These documents should be approved at the Strategic Management Board, and then disseminated to staff via the Service intranet.</p>	<p>A restructure to give the Head of Corporate Communications strategic lead on these activities and professionalise the department with resources to deliver these three key strands of activity have been agreed and recruitment process is under way with funding from April 2014/15. Work to develop these strategies to support strategic ambitions of the Service is already under way.</p>	<p>Head of Corporate Communications Following the departure of the Head of Corporate Communications agreement has been reached with Essex CC to provide oversight of Corporate communications. New Timescale March 2016</p>	On Track
Communications	<p>The Communications governance structure needs to be established for each of the three work streams:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Corporate Public Relations; <input type="checkbox"/> Employee Engagement; and <input type="checkbox"/> Community Safety. <p>This structured needs to demonstrate the relationship between each individual and group.</p>	<p>This proposal was put forward by the Head of Corporate Communications to introduce wider governance from within the SMB team with the benefit of ensuring more cohesive communications activities with consistent messages delivered to all stakeholders and all three strategies working together. Expanding reporting lines will also assist SMB in presenting a collective narrative. CFO to maintain line management for Corporate PR, Director HR & OD for Employee Engagement and Director Safer and Resilient Communities for Community Safety marketing</p>	<p>Head of Corporate Communications Following the departure of the Head of Corporate Communications agreement has been reached with Essex CC to provide oversight of Corporate communications. New Timescale March 2016</p>	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Communications	<p>The Fire Service should ensure there is an appropriate process for managing the Communications Plans for each project implemented. This should include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> An approval process, during project initiation, from the Head of Corporate Communications for each Project; and <input type="checkbox"/> Monitoring of the Communications Plan of the project. 	<p>This process is in place for major programme boards but a number of projects undertake communications activities beyond the oversight of the professional Corporate Communications team. This approach will ensure corporate scrutiny and provide more corporate context and alignment, maximising opportunities to share corporate lines. Will require buy in, particularly from operational side of the organisation. First step to consider communication implications in meeting papers and as part of all project planning. Additional resources will allow introduction of greater governance around communications activity</p>	<p>Head of Corporate Communications Following the departure of the Head of Corporate Communications agreement has been reached with Essex CC to provide oversight of Corporate communications. New Timescale March 2016</p>	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Communications	<p>The Fire Service need to ensure that it has appropriate policies, procedures and/or protocols in place governing the key channels of external communications, such as the media, press releases, 'images as incidents' and acceptable uses for all social media platforms.</p> <p>These should be approved, dated and assigned an annual review date to ensure they remain fit for purpose.</p> <p>Following this, the documents should be made available to all staff via the Service intranet</p>	<p>These policies, procedures and protocols exist in practice but need to be formalised.</p> <p>Additional resources will allow introduction of greater governance around communications activity.</p> <p>In January, the Service procured a social media management system and is currently training official service users to operate via a single, formal channel. This allows oversight of activity and encourages sharing of current messages and campaigns through a single portal. A programme of training supports new users and will allow expansion of official social media participants without some of the significant associated risk.</p>	<p>Head of Corporate Communications</p> <p>Following the departure of the Head of Corporate Communications agreement has been reached with Essex CC to provide oversight of Corporate communications. New Timescale March 2016</p>	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Communications	The Head of Corporate Communications should implement a training needs analysis, identifying which service personnel require communications training, and a training log, to effectively monitor training completion. Additionally, the Service could incorporate a training incentive scheme with the new social media software purchased by the Head of Corporate Communications.	Corporate Communications offers in house Media, Social Media and internal communications skills training, primarily to uniformed staff to give them the skills they need to present the Service in a professional way, limiting risks to ECFRS image. Currently delivered on request, there is some urgency now to train more station managers to be able to deliver information to the media, particularly at incidents. This recommendation supports the delivery of a more formal programme of training and development that is recorded and recognised. Rather than incentive, it is proposed to implement a proficiency standard before individuals can represent the Service to the media.	Head of Corporate Communications Following the departure of the Head of Corporate Communications agreement has been reached with Essex CC to provide oversight of Corporate communications. New Timescale March 2016	On Track
Communications	The Fire Service should ensure a guidance document or procedure is developed for processing Freedom of Information requests, to ensure the process is implemented consistently.	This will be reviewed when management of the Fol process moves in to Corporate Communications. This work will be completed once additional resources are in place.	Head of Corporate Communications Following the departure of the Head of Corporate Communications agreement has been reached with Essex CC to provide oversight of Corporate communications. New Timescale March 2016	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Business Planning	The Service should monitor the submission of departmental plans against planned completion dates. Each Department Strategy document should be annotated with details of submission date, document author, reviewer and approver.	Agreed – this will be incorporated into the process running during 2015/16.	Performance Improvement Manager March 2016	On Track
Business Planning	The Service should ensure that the Guide to Business Planning is reviewed annually to ensure it mirrors current practice and effectively guides the business planning process for the year ahead.	Agreed – the process is likely to change during 2015/16 as it will need to fit with changes being given by Programme 2020.	Performance Improvement Manager March 2016	On Track
Business Planning	The Service should ensure that the action plans within the Department Strategies are formally monitored.	Agreed – this will be monitored by SDB.	Performance Improvement Manager March 2016	On Track
Business Planning	The Service should ensure that there is an annual self-assessment of the business planning process to identify areas where the process was effective and areas that could be improved upon, taking the process forward.	Agreed – this will be built into the business planning cycle from this point onward.	Performance Improvement Manager March 2016	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Business Planning	As part of the Business Planning process, the Service should evidence and retain the initial assessment of resources required to meet objectives within the Departmental Strategies and future iterations including the final version which matches the approved budget.	Agreed – this will be built into the business planning process from this point onward.	Performance Improvement Manager March 2016	On Track
Risk Management	Provided the review frequencies are configured correctly in JCAD, risk owners must review their assigned risks in line with the next review dates.	Clearly, managers should heed their self-imposed review dates.	Departmental Managers Dec 2015	Completed
Risk Management	Risk descriptions should adequately state the actual risk, and follow the guidelines set down for risk descriptions in the Risk Management Guidance.	In addition to that already offered, further support will be available to managers to achieve this.	Departmental Managers Dec 2015	Completed
Risk Management	Control descriptions should give sufficient detail to describe the workings of the control and how it mitigates the associated risk. There should be consistency in the description of controls across all departments.	In addition to that already offered, further support will be available to managers to achieve this.	Departmental Managers Dec 2015	Completed

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Risk Management	The Service should ensure a documented process exists for the obtaining and recording of assurances, and that control owners are made sufficiently aware of their responsibilities in this regard. Furthermore, relevant assurances should be documented against existing risks to provide evidence that risks are being managed and controls are working.	Additional training and assistance to that already provided is in hand with managers. An assurance model and narrative will be added to the risk documents for approval by the Strategic Delivery Board	Corporate Risk & Business Continuity Manager Dec 2015	Completed
Risk Management	Risk scoring, as documented in the Risk Management Guidance, should be applied consistently across departments and individual programmes and projects.	This will be referred to managers at risk surgeries. Once this report is finalised, a summary will be provided to managers.	Corporate Risk & Business Continuity Manager Dec 2015	Completed
Risk Management	The risk escalation procedure should be clearly documented in narrative form, and roles and responsibilities in relation to escalation should be clearly defined	V II Risk Management Strategy contains a graphic that identifies reporting and escalation, and V III at Annex C contains an action plan for risk escalation. Further narrative can be added but it remains for the human component to take action. Nonetheless, additional narrative will be added to the appropriate documentation.	Corporate Risk & Business Continuity Manager Dec 2015	Completed

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Risk Management	The SMB should ensure that the departmental and corporate risk registers are a regular part of its agenda. Additionally the Terms of Reference should be updated to state more clearly the wider risk management responsibilities of the Board and how this relates to and supports the work of other groups such as the Strategic Delivery Board.	SMB will be so advised.	Corporate Risk & Business Continuity Manager Dec 2015	Completed

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit Governance &
Review Committee**

AGENDA ITEM

5

MEETING DATE

20 January 2016

REPORT NUMBER

EFA/012/16

SUBJECT

Audit Reports

REPORT BY

The Finance Director & Treasurer, Mike Clayton

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

This paper provides one internal audit report for review and the Annual Audit from our external auditors.

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 internal audit reports are to be considered at the meeting;

Audit Area	Audit Conclusion
IT General Controls Health Check	Reasonable Assurance (Amber/Green)

In addition there are two other reports. Firstly the Annual Audit Letter from Ernst & young LLP, the Authority's external auditors is attached. In the external audit the value for money conclusion was qualified because the Lucas Report, published in September 2015, identified concerns about the governance arrangements for the Authority.

The second additional report is a review of the pension and related payroll processes carried out by KPMG.

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 ICT Health Check Annual Audit Letter – Ernst & Young LLP Pension Review - KPMG	
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 :

THE POWER OF BEING UNDERSTOOD

ESSEX FIRE AUTHORITY

IT General Controls Healthcheck

FINAL

Internal Audit Report: 1.15/16

3 November 2015

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Debrief held	17 September 2015	Internal Audit team	Daniel Harris, Partner Suzanne Lane, Client Manager David Morris, Technology Risk Assurance (TRA) Director Joe Webb, Consultant TRA
Draft report issued	8 October 2015		
Responses received	3 November 2015		
Final report issued	3 November 2015	Client sponsor	Glen McGuinness, Deputy Director of Finance Jan Swanwick, Head of ICT
		Distribution	Glen McGuinness, Deputy Director of Finance Jan Swanwick, Head of ICT

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. Therefore, the most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the risk management, governance and control processes reviewed within this assignment. 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 RSM Risk Assurance 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, RSM Risk Assurance 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.

1 EXECUTIVE SUMMARY

1.1 Background

An IT Healthcheck was carried out as part of the 2015/16 internal audit plan. The objective of our review was to assess the risks, processes and controls commonly associated with the IT control framework, to consider the adequacy of internal controls, processes and procedures governing the IT control framework and operating environment and to identify areas of immediate risk to Essex Fire and Rescue Service ("the Service") where improvements would benefit the control framework.

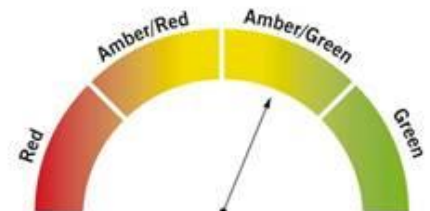
The IT Healthcheck can also be used to identify areas that would benefit from specialist IT audit review and therefore inclusion in the Internal Audit Strategy in future periods. However, it is necessary for management to consider the results and make their own judgement on the risks affecting the Service and the level of specialist computer audit coverage they require in order to provide assurance that these risks are minimised.

1.2 Conclusion

Our review did not highlight any matters that present significant IT risk to the Service. Three medium priority management actions have been agreed with the service.

Internal Audit Opinion:

Taking account of the issues identified, the Board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk.



1.3 Key findings

The key findings from this review are as follows:

We have identified the following well designed controls:

- Environmental monitoring is in place within all server rooms. Going forward, Solarwinds is being used to monitor and alert on environmental factors (e.g server room temperatures, UPS state, humidity).
- The server rooms all have Uninterruptable Power Supplies (UPS) in place to provide power until the generator is powered up. Note: during the review the Service had genuine power issues: the controls in place were able to protect the server rooms during this power shortage.
- Each server room has redundant air conditioning to cool the room.
- The main server room has a system in place that prevents fires from being ignited within the confines of the server room.
- The Service utilise Sophos antivirus to protect the network and computer devices from malicious code. The antivirus is updated throughout the day automatically on both servers and computers.
- The Service has a firewall in place within the server rooms which has failover capabilities. Only a limited number of staff have access to the firewall in order to make changes, which are recorded and reviewed as required.

- The Service has a replication process in place that copies data and stores the data at their disaster recovery server room which is offsite. Backup is a separate activity in addition to replication; the content is stored externally (stored at the Supplier's two UK based locations).
- Backup success is monitored regularly by the IT department. In addition, the Service is supported by a third party named Backup Technology. They also review backup failures and perform remedial action to correct any issues.
- Internet and email filtering is in place to reduce the risk of inappropriate content and malicious code from effecting the computer network.
- The Service has a documented Data Protection Act policy to provide staff guidance, and the Service is registered with the Information Commissioners Office (ICO) in order to process personal data.
- We selected a sample of 20 devices that included servers, desktops, laptops and virtual desktops and confirmed that Sophos antivirus was installed and up to date. This reduces the risk of malicious code affecting the IT infrastructure.

We have identified two medium and three low priority recommendations in relation to the design of controls. Below is a summary of these findings:

- Leaver accounts are disabled when the IT department are informed by HR. Daily reports should be received to identify all staff leavers. However this process would not identify agency staff and there is not currently a process in place to capture these leavers. We selected a sample of 20 staff leavers and confirmed that in 2 cases, the accounts had not been disabled. This was due to the IT department not being provided with the leaver reports. Unless both agency and staff accounts are disabled in a timely manner, there is an increased risk of unauthorised access to the network.
- The information security policy does not include all of the information that should be within such a policy; for example, physical security arrangements, logical security, data backup processes, asset management and security incident reporting. Unless a documented policy is in place, there is an increased risk that there is inadequate guidance for staff. If the policy is documented in line with the ISO standard as planned, this would demonstrate the well-designed controls in place regarding information security.
- Backup restore testing is not performed as part of a defined testing schedule. We confirmed that no restore testing schedule is in place at the Service. The IT team confirmed that ad-hoc file restores are performed to restore files and emails when the need arises. However, there are no scheduled restore tests in place for restoring servers in a disaster recovery environment. Oracle restore testing has been performed - this highlighted that the restore process was not simple to carry out. There is a risk that the Service is not able to restore data and servers should a major incident occur. Restoring files from back-ups does not replicate the scenario of a major incident requiring backup restoration across a number of servers.
- Processes are in place to update the virtual desktop image and servers on a monthly basis. Desktops and laptops are set to automatically update, however a small minority of legacy devices are not monitored to identify devices that are not updating. Unless all devices are monitored to ensure that they are installed with the latest updates, there is an increased risk that some devices may be vulnerable to current security weaknesses.
- The Service has third parties that it shares information with on a regular basis. We were informed by the ICT Security Officer that information sharing agreements are documented. However there is not an information sharing register which identifies all of the sharing arrangements in place. This would reduce the risk that information is being transferred insecurely, both now and in the future.

In general we identified that recurring controls were being complied with. However, we have identified one medium and one low priority recommendation in relation to the application of controls. Below is a summary of these findings:

- From review of the server room access reports we identified staff that would not have a business requirement or the expertise required to work within the room. This increases the risk that inappropriate access is gained and potentially activity is performed within the room, which could impact on IT server availability.

- We selected a sample of 20 new starters to confirm if the new user form was received to confirm that a new account was required and the account access requirements are identified. For our sample of 20 new user accounts, 3 forms could not be located. Note: we identified the original request for two of these, without the form. This increases the risk that accounts are not created in accordance with procedure and staff may therefore not have the appropriate access.

1.4 Additional information to support our conclusion

Risk	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Control weaknesses exist that result in a loss to systems integrity, confidentiality and availability.	5 (17)	2 (17)	4	3	0
Total			4	3	0

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

2 ACTION PLAN

Categorisation of internal audit findings

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

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

Ref	Findings summary	Priority	Management action	Implementation date	Owner responsible
Risk: Control weaknesses exist that result in a loss to systems integrity, confidentiality and availability.					
1.1	From review of the access reports we identified staff that would not have an obvious business requirement or expertise required to work within the server room.	Medium	We will review the access levels to the server rooms and will consider removing access to staff that do not have the required expertise and the business requirement.	31/12/2015	IT to review access and Property Services to update / maintain Control.
1.2	3 new starter forms from a sample of 20 could not be located as part of the new user account process.	Low	We will ensure that prior to account creation, a form is received and uploaded onto the service desk.	31/10/2015	Service Desk Manager

Ref	Findings summary	Priority	Management action	Implementation date	Owner responsible	
1.3	In 2 out of the sample of 20, the staff leaver accounts had not been disabled. There is no process in place to identify agency staff leavers.	Medium	We will communicate with the HR department the importance of receiving regular leaver updates. For agency staff, we will introduce an expiry date onto all such accounts. If a leaving date is not known in the first instance we will use an appropriate time period of 1-3 months.	30/11/2015	Service Desk Manager	
1.4	The information security policy does not include all of the information that should be within such a policy.	Low	The Service will be documenting a full information security policy and this will be completed using ISO 27001 guidance.	31/12/2016	ICT Security Officer	
1.5	Backup restore testing is not performed as part of a defined schedule.	Low	The Service will implement a defined schedule to confirm that servers and data can be restored in a continuity event.	30/06/2016	Service Manager	Delivery
1.6	Small subset of legacy laptops and desktops are not proactively monitored to identify devices that are not up to date with the latest security patches.	Low	We will continue to monitor the updates for our desktops and laptops to ensure that all devices remain up to date with the latest security updates. Any devices that do not comply, we will investigate and ensure that device is appropriately managed.	Implemented	Service Manager	Delivery

Ref	Findings summary	Priority	Management action	Implementation date	Owner responsible
1.7	Information sharing agreements are in place with third parties, however there is not an information sharing register which identifies all of the sharing arrangements in place.	Low	We will complete a register to identify the information that we transfer that will include the transfer methods and the information types. This will ensure that all data is transferred securely.	31/12/2016	Senior Information Risk Owner

3 DETAILED FINDINGS

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Management action
Risk: Control weaknesses exist that result in a loss to systems integrity, confidentiality and availability.						
1.1	Physical security to server rooms is provided using dongle access which is managed by the Property Services department.	Yes	No	From review of the access reports we identified staff that would not have a business requirement or the expertise required to work within the room. This increases the risk that inappropriate activity is performed within the room.	Medium	We will review the access levels to the server rooms and will consider removing access to staff that do not have the required expertise and the business requirement. Control is managed by Property Services.
1.2	In order to obtain a user account, new user forms are signed and then sent to the Service desk system for action, unless a form is provided the account should not be created.	Yes	No	We selected a sample of 20 new starters to confirm if the new user form was received to confirm that a new account was required and the account access requirements are identified. For our sample of 20 new user accounts, 3 forms could not be located. Note: we identified the original request for two of these, without the form. This increases the risk that accounts are not created in accordance with procedure and may not have the required access.	Low	We will ensure that prior to account creation, a form is received and uploaded onto the service desk.
1.3	Leaver accounts are disabled when the IT department are informed by HR. Daily reports should be received to identify all staff leavers. However this process would not	No	NA	We selected a sample of 20 staff leavers and confirmed that in 2 of the 20 sample, the accounts had not been disabled. This was due to the IT department not being provided with the leaver reports. Unless both agency and staff accounts are disabled in a timely manner, there is an	Medium	We will communicate with the HR department the importance of receiving regular leaver updates. For agency staff, we will introduce an expiry date onto all such accounts and inform the hiring manager. If a leaving date is not known in the first instance we will use an appropriate time period of 1-3 months.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Management action
	identify agency staff and there is not currently a process in place to capture these leavers.			increased risk of unauthorised access to the network.		
1.4	<p>The information security policy does not include all of the information that should be within such a policy.</p> <p>An updated draft policy is under progress and is being written in line with the ISO 27001 Information security management standard.</p>	No	NA	<p>Unless a documented policy is in place, there is an increased risk that there is not documented guidance for staff.</p> <p>If the policy is documented in line with the ISO standard as planned, this would demonstrate the good controls in place regarding information security.</p>	Low	The Service will be documenting a full information security policy and this will be completed using ISO 27001 guidance.
1.5	Backup restore testing is not performed as part of a defined schedule.	No	NA	<p>We confirmed that no restore testing schedule is in place at the Service. The IT team confirmed that ad-hoc file restores are performed to restore files and emails when the need arises. However, there are no scheduled restore tests in place for restoring servers in a disaster recovery environment. Oracle restore testing has been performed, this highlighted that the restore process was not a simple process.</p> <p>There is a risk that the Service is not able to restore data and servers should a major incident occur. Restoring files from back-ups does not replicate the scenario of a major incident requiring backup restoration across a number of servers.</p>	Low	The Service will implement a defined schedule to confirm that servers and data can be restored in a continuity event.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Management action
1.6	<p>Patch management to ensure that computer devices remain up to date with security hot fixes is performed using Windows Server Update Service (WSUS).</p> <p>Processes are in place to update the virtual desktop image on a monthly basis, and the servers are updated. Desktops and laptops are set to automatically update, however they are not monitored to identify devices that are not updating.</p>	No	NA	<p>Unless all devices are monitored to ensure that they are installed with the latest updates, there is an increased risk that some devices may be vulnerable to current security weaknesses.</p> <p>Comment: The approach here is around management, as not all devices can be patched/updated.</p>	Low	We will continue to monitor the updates for our desktops and laptops to ensure that all devices remain up to date with the latest security updates. Any devices that do not comply, we will investigate and ensure that device is appropriately managed.
1.7	The Service has third parties that it shares information with on a regular basis. We were informed by the ICT Security Officer that information sharing agreements are in place, however there is not an information sharing register which identifies all of the sharing arrangements in place.	No	NA	An information register would enable the Service to identify all of the information that may be sent out to third parties, it would also document the controls used when transferring the data and would therefore reduce the risk that information is being sent insecurely.	Low	We will complete a register to identify the information that we transfer that will include the transfer methods and the information types. This will ensure that all data is transferred securely.

APPENDIX A: SCOPE

Scope of the review

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

Objective of the area under review	Risks relevant to the scope of the review	Risk Source
A system has been designed to ensure that computer, network resources and data are adequately protected from operational risk and security threats	Control weaknesses exist that result in a loss to systems integrity, confidentiality and availability.	Internal Audit

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

Areas for consideration:

- Best practice standards compliance;
- IT infrastructure planning;
- End user governance and policy framework;
- Change and release management;
- Roles and responsibilities;
- Security control environment;
- Resilience control environment; and
- Configuration control.

Limitations to the scope of the audit assignment:

- The IT General Controls is a high level review covering some areas of risk within the IT control framework, its purpose to identify areas of immediate significant risk that in our opinion would benefit from specialist Technology Services (TS) review.
- The information provided in the final report should not be considered to detail all errors or risks that may currently or in the future exist within the IT environment, and it will be necessary for management to consider the results and make their own judgement on the risks affecting the Service and the level of specialist computer audit coverage they require in order to provide assurance that these risks are minimised.
- The control of application systems is not included within the IT General Controls review.

FOR FURTHER INFORMATION CONTACT

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Essex Fire Authority

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP



Building a better
working world

Members
Essex Fire Authority
ECFRS Headquarters
Kelvedon Park
Rivenhall, Witham
Essex CM8 3HB

12 October 2015

Dear Members

Annual Audit Letter 2014/15

The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014/15 Audit Results Report presented to the 23 September 2015 Policy and Strategy Committee, representing those charged with governance. We do not repeat those findings here.

The matters reported here are those we consider most significant for Essex Fire Authority.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours sincerely

Debbie Hanson
Director
For and on behalf of Ernst & Young LLP
Enc.

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission.

The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2014/15 audit work was undertaken in accordance with our Audit Plan issued in March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements, and on the consistency of other information published with them
- reviewing and reporting by exception on the Authority's AGS
- forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of Essex Fire Authority for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland)	On 25 September 2015 we issued an unqualified audit opinion on the Authority's financial statements
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources	On 25 September 2015 we issued a qualified value for money conclusion. In assessing the Authority's arrangements for securing economy, efficiency and effectiveness, we considered the findings from the cultural review commissioned by the Authority which was published on 2 September. As a result of the findings in the report, we were unable to conclude that the Authority's arrangements for promoting and demonstrating the principles and values of good governance during 2014/15 were adequate.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority needs to prepare for the Whole of Government Accounts	The Authority is below the specified audit threshold of £350 million. Therefore we did not perform any audit procedures on the consolidation pack.
Consider the completeness of disclosures on the Authority's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance	No issues to report

Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit

No issues to report

Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act

No issues to report

As a result of the above we have also:

Issued a report to those charged with governance of the Authority communicating the significant findings from our audit.

Our Audit Results Report was presented to the Policy and Strategy committee on 23 September 2015.

Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

We issued our certificate on 25 September 2015.

2. Key findings

2.1 Financial statement audit

The Authority's Statement of Accounts is an important tool to show both how the Authority has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 25 September 2015.

Our detailed findings were reported to the 23 September Policy and Strategy Committee.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good and the Authority had prepared its financial statements well.

We identified a number of amendments, which were corrected in the audited accounts. There were no items that were material individually or in total to the accounts.

The main issues identified as part of our audit were:

Significant risk 1: Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For fire authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

We designed and performed appropriate audit procedures to obtain reasonable assurance that the financial statements as a whole are free of material misstatement.

Findings:

-
- ▶ We did not identify any material errors in our sample testing of journal entries or management bias in accounting estimates.
 - ▶ We did not identify any significant unusual transactions.
 - ▶ We did not identify any material errors in our sample testing of additions on property, plant and equipment.
-

Significant risk 2: Valuation of fixed assets

The Authority appointed an external valuer to carry out a full valuation of all its land and building assets as at 31 March 2015.

This work required a revaluation of the assets to the relevant basis and adjustments to be made to the asset register and financial statements to reflect the new values. The resulting entries in the Authority's accounts were likely to be material.

Findings:

-
- ▶ We did not identify any material errors in our sample testing of the revaluation of land and building assets.
 - ▶ We did not identify any material errors in our sample testing of the accounting transactions for the adjustments in the financial statements.
-

Other financial statement risk: Firefighters' pension injury payments

In 2013/14, the Authority identified that payments in respect of firefighters' pension injury benefits had been incorrectly paid from the firefighters' pension fund instead of the general fund.

The Authority corrected this error in the 2013/14 financial statements. However, there remained a risk regarding the correct classification of current year payments.

Findings:

-
- ▶ We did not identify any material errors in our sample testing of firefighters' pension injury payments.
-

We have no other matters to report.

2.2 Value for money conclusion

As part of our work we must also conclude whether the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Authority had proper arrangements in place for:

- ▶ securing financial resilience, and
- ▶ challenging how it secures economy, efficiency and effectiveness.

We issued a qualified value for money conclusion on 25 September 2015.

We noted the following as part of our audit:

Arrangements to secure financial resilience: significant risk

We identified a significant risk in relation to the Authority's arrangements to secure financial resilience, as a result of the level of future budget gap in the Authority's medium term financial strategy (MTFS). The September 2014 MTFS, identifies a budget gap totalling £8.4 million over the two years from 2016/17 to 2017/18 (£3.2 million in 2016/17 and £5.2 million in 2017/18).

To address the specific risk identified we undertook a more detailed review of the Authority's MTFS and the key assumptions within this. We also looked at the level and planned use of reserves and the Authority's track record in delivering previous budgets and savings plans.

Findings:

The Authority has a strong track record of delivering its budget and planned savings, reporting underspends in previous years. In 2014/15, the Authority spent in line with its budget, and was also able to reduce the planned use of reserves of £1.8 million by approximately £1 million.

At 31 March 2015, the Authority had general fund balances of £3.7 million and earmarked reserves of £7.8 million. The general reserve represents 3.6% of planned expenditure in 2015/16 and is above the minimum level of £2.2 million recommended by the Finance Director and Treasurer. Around £3.5 million of the Authority's earmarked reserves is required for specific purposes. The remainder of around £4.3 million have been set aside to support future projects such as spend to save initiatives and is therefore available to help the implement any necessary changes to the service resulting from the 2020 Programme and the Integrated Risk Management Plan Consultation.

The MTFS includes an assumed reduction in Government funding of around £2 million per year in both 2016/17 and 2017/18. This represents around a 7% per year reduction. The MTFS is however clear regarding the uncertainty of the scale and timing of the anticipated reductions in this funding.

The Authority is also clear that plans to manage the expected reductions in funding need to be developed and that many of the changes that will be required to achieve the necessary savings will take time to develop and implement. With this in mind, the Authority has put in place its 2020 programme with the aim of transforming the Service to meet the demands of a modern Fire and Rescue Service.

As part of the 2020 Programme, the Authority is undertaking wide ranging engagement and consultation with stakeholders with the aim of designing a Fire and Rescue Service that can improve community safety, meet future strategic challenges, provide value for money and remain fit for purpose in 2020 and beyond. The Integrated Risk Management Plan is a key element of the 2020 Programme and the Fire and Rescue Service has been consulting on this widely over the 2015 Summer. The Authority aims to agree a Service Plan arising from these streams of work in early 2016.

As a result of this ongoing consultation on the future design of the service, detailed plans have not currently been developed to address the budget gaps that have been identified for 2016/17 and future years. The Authority has however already identified and earmarked reserves that will support the delivery of any agreed transformation and change programme. It is now crucial that the Authority and Service work together to agree the future Vision for the Service which enables the financial and cultural challenges that are facing Essex Fire and Rescue Service to be addressed on a timely basis.

Arrangements for securing economy, efficiency and effectiveness

We did not identify any significant risks in relation to this criterion in our Audit Plan.

However, since we issued our Plan in March 2015, the Authority commissioned a wide-ranging review to look at how the culture of the Fire and Rescue Service in Essex is having a detrimental impact on the organisation, its employees and the communities it serves. The review was initiated by the Authority in response to widely recognised and publically reported issues, which include serious incidents, allegations of bullying and intimidation, and ongoing and protracted industrial disputes.

The outcome from this review, which was undertaken by Irene Lucas CBE, was reported in an 'Independent Cultural Review of Essex County Fire and Rescue Service' which was issued to the Fire Authority in September 2015. The report was issued publically at the same time it was released to the Fire Authority.

We have considered the conclusions of this review, along with the actions the Authority has taken to address the issues it faces, as part of our value for money assessment.

Findings:

The Authority considered the report and its recommendation at a full Authority meeting in September and fully accepted its findings and recommendations. The issues outlined in the report are difficult and wide ranging, and the Authority and Fire Service will need to work together to address them. The report makes a number of recommendations which the Authority now needs to consider carefully in order to develop its detailed response and action plan to address the issues identified.

As a result of the issues identified in the report commissioned by the Authority, we have concluded that the Authority's arrangements for promoting and demonstrating the principles and values of good governance are inadequate. We therefore qualified our value for money conclusion regarding the Authority's arrangements for securing economy, efficiency and effectiveness in this respect. We do however recognise the challenging nature of the issues being faced by the Fire and Rescue Service, and the action that has been taken to try to address these in commissioning the publically reported independent review.

We will consider the Authority's response to the report and recommendations as part of our 2015/16 value for money conclusion.

2.3 Whole of Government Accounts

We performed the procedures required by the National Audit Office. The Authority is below the specified audit threshold of £350 million and therefore we were not required to audit the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the public.

2.6 Other powers and duties

We did not identify any issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Policy and Strategy committee on 23 September. In our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements.

3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. We have tested the controls of the Authority only to the extent necessary for us to complete our audit. We sample tested the key controls within the payroll and pensions systems. We are not expressing an opinion on the overall effectiveness of internal control.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to tell the Authority about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Authority's financial statements.

4 Looking ahead

There are a number of changes in accounting and auditing requirements that could have a significant impact on the Authority's arrangements for the production of its financial statements. We have outlined what we think is the main challenge below.

Description	Impact
<p>Earlier deadline for production and audit of the financial statements from 2017/18</p> <p>The Accounts and Audit Regulations 2015 were laid before Parliament in February 2015. A key change in the regulations is that from the 2017/18 financial year the timetable for the preparation and approval of accounts will be brought forward.</p> <p>As a result, the Authority will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>The Authority is aware of this challenge and the need to start planning for the impact of these changes. This will necessarily include review of the processes for the production and audit of the accounts, including areas such as the production of estimates, particularly in relation to pensions and the valuation of assets, and the year end closure processes.</p> <p>As the auditors, we are also reviewing our processes, including identifying areas of work that can be completed during our interim work, carrying out "dry-runs" of auditing the financial statements and issuing audit opinions earlier, and having ongoing discussions with fire authorities and local government bodies to support the earlier closedown process.</p>

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cutting through complexity

Essex Fire Authority

Review of internal processes and payroll function

August 2015

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Background and Scope

- Essex Fire Authority (the “Authority”) employees are currently eligible for membership in one of the following Schemes (the “Schemes”):
 - Local Government Pension Scheme (“LGPS”)
 - Firefighters Pension Scheme 1992 (“FPS”)
 - New Firefighters Pension Scheme (“NFPS”)
 - Modified Pension Scheme (for Retained Firefighters)
- The administration of these Schemes is delegated to the Essex Pension Fund
- To ensure the Schemes are administered adequately and efficiently, the Authority asked KPMG to conduct a review of the appropriateness of internal controls and processes in place to assess against requirements of the Schemes, including pension journals
- This involved liaison with the Authority’s Payroll team, Finance team and internal HR and pensions representatives to assess the processes in place, having agreed any particular areas of concern of where focus is required
- We agreed to report our findings at a high level indicating any key areas of risk and make recommendations on potential process changes where applicable

Key Findings

- Our review of the processes identified a number of possible issues and key themes which are detailed below. Further details of these are provided under ‘Key Findings and Recommendations’:
- Many of the processes, such as completion of forms and calculation of pensionable salaries or missed contributions require manual intervention. This introduces the risk of errors when entering data, incorrect benefits being calculated and processes not being completed correctly
 - Members who miss contributions may not be informed about how they can repay their contributions and have their records updated correctly to reflect their position. They could therefore not receive the correct benefit when they leave the Scheme
 - There is a historic Scottish Widows policy which was open to members who at that time did not have a Scheme that they could join. All the processes involved with this policy require manual intervention, contributions are paid to Scottish Widows by a cheque sent in the post and we understand that a review of the policy has not been undertaken for some time to ensure if it remains ‘fit for purpose’ and meets the standards issued by the Pensions Regulator covering governance and administration
 - The processes reviewed dealt with sending sensitive employee data externally to the Authority, however there was not a consistent approach in all departments to data encryption and not all files containing member data were password protected before being sent to Essex Pension Fund
 - We identified a number of key person issues, where only certain members of a team were able to complete processes or provide information in their department
 - Processes were not always documented clearly and some processes had not yet been documented. Where processes were formalised there were not always checklists to be completed and signed off
 - Communications between internal departments at the Authority can be a little disjointed and as a result of this the member experience could be confusing. Communications with Essex Pension Fund are good, however both the Authority and Fund could discuss improvements to ensure that processes are as efficient as possible

Recommendations

We have provided a brief overview of our recommendations below. These are described in further detail under 'Key Findings and Recommendations':

- To reduce manual intervention in calculations and processes, introduce automated calculations, consider how SAP reports could be run in order to populate forms or generate forms. Automate calculations where possible and ensure they are rigorously tested and signed off and that any formulae on spreadsheets are protected. Where this is not possible, ensure robust checking processes are in place and that work completed manually is approved by a senior member of the team
- Ensure that the process for members who miss contributions is complete and robust and that SAP records are updated correctly
- Conduct a review of the Scottish Widows policy to ensure it remains 'fit for purpose' and ensure that contributions are paid over to them in a timely manner
- Put in place a clear data encryption policy to reduce the risk of data protection breaches
- To avoid key person issues, have formal triggers in place for all tasks which have an associated deadline, implement comprehensive formal process guides and checklists for each key process and provide training to enable other members of the department to complete and/or approve the process
- Consider having one process which covers all departments such as the one for leavers rather than a process for each department and ensure that any process has a checklist in place which is then signed off by the person checking the case
- Improve communications including:
 - Ensure that different departments within the Authority understand each other's roles and responsibilities to ensure a joined up approach to the completion of tasks
 - Consider the member experience when drafting processes and checklists
 - Request feedback from Essex Pension Fund when key processes are completed and consider setting up regular meetings to discuss any improvements in processes that can be made
 - Discuss how Essex Pension Fund use the information provided to them by the Authority to determine whether all information provided is required
 - Consider streamlining processes with Essex Pension Fund to reduce potential for duplication of work

This report focuses on the agreed actions for Phase 1 – a review of internal policies and payroll function

We agreed with the Authority to conduct a review the appropriateness of internal controls and processes in place to assess against requirements of the Schemes.

The review involved liaison with the Authority's Payroll department, Finance department and internal HR and pensions representatives to assess the processes in place, having agreed any particular areas of concern where focus was required.

We considered how effective the output produced within the Authority was then shared with Essex Pension Fund, through assessment of appropriateness of interfaces and established processes.

We also conducted a review of the processes for a sample of cases to assess how processes had been carried out in practice to understand members' experiences. The main focus areas for this was:

- Processes for new joiners and leavers, including opt outs;
- Members with unusual employment history including long term absence, multiple employments, industrial action; and
- A cross-section of standard employees.

We arranged a visit to the Authority on 17 July 2015 to conduct the review and in preparation for our visit, we were provided with copies of processes and checklists from the various departments. It should be noted that some of these processes were under review by the relevant teams and so, not all documents received were either complete or signed off and some processes were not in place.


We looked at processes for the Annual Pension Return, Finance, HR and Payroll and full details of the processes are provided in the Appendices.


We arranged to meet with the following personnel during our visit:



- Jane Corsham – HR Manager
- James Durrant – Pensions Manager
- Glenn McGuinness – Finance
- Angela Mayers and Amy White – HR
- Sarah Webster – Payroll




This report sets out our findings at a high level, indicating any potential issues and key areas of risk, alongside our recommendations where applicable for the Authority's consideration.



- We noted that all departments that we spoke to were engaged and enthusiastic about putting procedures in place and were very helpful in providing us with details whilst we conducted our review
- Following the completion of our review, we grouped together the Key Findings we identified and have reported on these below as themes. Alongside our findings, we have provided our recommended actions to take in order to rectify the issues noted
- We rated each Key Finding with a priority scale of 'red, amber, green' to highlight the importance of each issue and this section of the report focusses on issues deemed to be rated 'red' or 'amber'.
- A full list of all processes reviewed is included in our Appendices, including those rated as 'green'


Issue	Key Findings and Risk	Recommendation	Priority
Manual processes	<ul style="list-style-type: none"> ■ Throughout our review, we identified many examples in each of the departments where manual processes were being completed, including: <ul style="list-style-type: none"> ■ Performing the Annual Pension Return ■ Calculating pensionable salaries for leavers ■ Filling out and completing forms ■ Processing missing contributions due to sickness, maternity or industrial action ■ Payment of lump sums ■ Completing the monthly process for the Scottish Widows policy ■ Having manual processes in place, be they formulas in a spreadsheet, manual payment entries or paper based reconciliations, introduces the risk of data errors and processes being completed incorrectly 	<ul style="list-style-type: none"> ■ Introduce automatic processes where possible and ensure they are rigorously tested and signed off ■ Consider whether the SAP system could be utilised to generate forms ■ Where it is not possible to implement automatic processes, ensure robust checking processes are in place and that work completed manually is approved by a senior member of the team 	


Issue	Key Findings and Risk	Recommendation	Priority
Members missing contributions	<ul style="list-style-type: none"> ■ It is important that a member understands when they have missed paying contributions, how they can repay these contributions and what happens to their pensionable service should they chose not to repay these contributions ■ It is also important to record whether an employee elects to repay missing contributions to ensure their record is kept up to date and also enable the employee to receive the correct level of benefits when they leave the Scheme ■ We noted the following: <ul style="list-style-type: none"> ■ If a member chose not to repay missing contributions following industrial action, this is not recorded on their SAP record. Only if a member elects to repay these contributions is their record updated ■ With regards to missing contributions following maternity or unpaid leave, an employee is directed to contact Essex Pension Fund and no further action is taken by the Authority. The employee's record held by the Authority does not appear to be updated to reflect whether the employee opted to repay the contributions. The member record is not therefore complete ■ Following sick leave, there is no communication with the member regarding repaying missed contributions so currently it is unclear whether members who miss contributions either repay them or have a noted break in service ■ For all of these examples, there is a significant risk that employees' records would not be up to date or consistent with those held by Essex Pension Fund and as a result the employee could receive an incorrect benefit entitlement and the Scheme pay a benefit to which the member has not contributed 	<ul style="list-style-type: none"> ■ Ensure that members on sick leave are informed when their pay stops how to go about repaying their missed contributions ■ For all employees who miss contributions, record on SAP whether they opt to repay missing contributions ■ Request Essex Pension Fund to confirm whether employees repay missing contributions following periods of absence where contributions have ceased and update their SAP record accordingly 	

Issue	Key Findings and Risk	Recommendation	Priority
Scottish Widows policy	<ul style="list-style-type: none"> ■ The Scottish Widows policy was put in place for members who did not have a Scheme that they could join at that time and enabled them to pay into a pension arrangement and receive a nominal contribution from the Authority ■ Many of the processes involved with this policy are completed manually due to limitations set out by Scottish Widows. For example, paying the contributions by cheque and completing the schedule manually. These are discussed further in the 'Appendices' ■ However, due to the number of years the policy has been in place, the key issue for the Authority is whether the policy remains 'fit for purpose' <ul style="list-style-type: none"> ■ The importance of this has been emphasised by the recent communication from the Pensions Regulator to trustees of defined contribution arrangements for them to ensure their schemes meet the revised standards (issued in April 2015) covering governance and administration 	<ul style="list-style-type: none"> ■ Improve communications with Scottish Widows and discuss with them the possibility of receiving documents electronically and making payments by BACS ■ Ensure that the policy conforms to the Pensions Regulator's governance requirements for Defined Contribution schemes ■ Conduct a review of the Scottish Widows policy to ensure it remains 'fit for purpose' <ul style="list-style-type: none"> ■ This should include consideration of whether the policy complies with regulatory requirements as well as the requirements of the members 	
Data encryption	<ul style="list-style-type: none"> ■ Many processes completed in each of the departments dealt with sensitive employee data, such as salaries and sickness leave ■ We noted that although some data was encrypted when being emailed, there were many examples where data was being sent without a password ■ There is a high risk of data being intercepted and being instantly accessible, resulting in a serious data protection breach 	<ul style="list-style-type: none"> ■ The Authority should put in place a clear data encryption policy to reduce the risk of data protection breaches 	

Issue	Key Findings and Risk	Recommendation	Priority
Key person	<ul style="list-style-type: none"> ■ We identified key person risks in processes completed by Payroll, HR and as part of the Annual Pension Return ■ Examples of key person risk we noted included having only one team member who could: <ul style="list-style-type: none"> ■ Complete certain tasks within a process, such as managing the process for striking members, providing reports for the renewal process, or whole processes ■ Approve completed work ■ Provide required information to other departments ■ Know when a piece of work was expected to be received ■ In the event that the key person was unable to complete one of these tasks for any reason, there would currently be no other person trained to undertake the task in their place 	<ul style="list-style-type: none"> ■ Complete and sign off comprehensive formal process guides for each key process which provides clear details of how each stage is completed to enable other members of the team to complete the process ■ Provide training to other senior team members to allow them to approve work and provide information required by other departments ■ Establish formal triggers for all tasks which have a deadline to which they must be completed, such as group calendar reminders 	 
Process guides	<ul style="list-style-type: none"> ■ Formal process guides provide: <ul style="list-style-type: none"> ■ An overview of a process, including its objectives ■ Details of best practice for the process ■ Concise instructions on how it should be completed ■ We noted that many processes did not have process guides in place, or had guides that were not signed off by an approver ■ By not having a formal process guide in place, there is the risk that there is no continuity in the way a process is performed, team members may not understand the purpose of the process and if there are no instructions available, processes could be completed incorrectly 	<ul style="list-style-type: none"> ■ Produce and put in place formal process guides for all key processes in each department, ensuring that they are checked and approved by another senior team member ■ Once processes are in place ensure that they are reviewed regularly to make sure that they are still fit for purpose 	


Issue	Key Findings and Risk	Recommendation	Priority
Checklists	<ul style="list-style-type: none"> ■ By having a formal process checklist in place, the Authority can be confident that all tasks in a process are completed and that they are done so in accordance with their requirements. It is important that an approver also signs off the completed checklist to confirm a review of the process has also been conducted ■ For a number of the reviewed processes, we were provided with evidence that formal checklists are in place and signed off by both the team member completing the work and an approver. Most of these processes were seen in the payroll department ■ However, many processes did not have formal checklists in place, or had checklists that were not signed by an approver once the process had been completed ■ The risks of not having a formal checklist include: <ul style="list-style-type: none"> ■ key elements of the process could be missed ■ the process may not be completed correctly 	<ul style="list-style-type: none"> ■ Put in place formal checklists for all key processes in each department ■ Ensure that once completed by the team member, these checklists are reviewed and approved by a senior team member 	
Communication between departments	<ul style="list-style-type: none"> ■ It is important that there is ongoing communication between departments and also a clear understanding of the roles and responsibilities of each department <ul style="list-style-type: none"> ■ Without this being in place, the experience an employee can receive could appear disjointed ■ We noted there were clear contacts available in each department for queries, however the departments did not appear to be fully aware of all the work undertaken in each different department ■ Being aware of the functionality of each department could help streamline processes and avoid duplication of work. A key example is set out below: <ul style="list-style-type: none"> ■ A form completed for leavers ('PN1') is completed in part by HR and then forwarded onto Payroll for them to complete the remainder of the form. This appears to be a duplication of work as Payroll would be required to check the information provided in the first section of the form before completing the remainder of the form and forwarding this onto Essex Pension Fund 	<ul style="list-style-type: none"> ■ For the example given, we would recommend considering the following actions: <ul style="list-style-type: none"> ■ To avoid duplication of completion of the 'PN1' form, HR could inform Payroll of any leavers by email, which would prompt Payroll to complete the 'PN1' form as required ■ Harmonising processes so there is one process and one checklist for a task which all departments follow 	





Issue	Key Findings and Risk	Recommendation	Priority
Communications with Essex Pension Fund	<ul style="list-style-type: none"> ■ As Essex Pension Fund are responsible for the administration of the Schemes, it is important that there is clear and open communication between them and each of the departments to ensure efficient working as well as providing continuity of service to members of the Schemes ■ We identified the following examples where this could be improved: <ul style="list-style-type: none"> ■ The Annual Pension Return was submitted to Essex Pension Fund by the deadline of April this year. However, limited feedback has been received to date. More detail on the Annual Pension Return process is covered in Appendix 1 ■ The HR team advised us that despite providing completed monthly spreadsheets detailing leavers information to Essex Pension Fund, they often receive queries from them once they have received the completed 'PN1' leaver form. These queries regularly relate to information provided in the monthly spreadsheets and so, it is unclear whether these spreadsheets are being utilised appropriately by Essex Pension Fund ■ Information is often provided to Essex Pension Fund by email, such as leaver details, however there is no confirmation received that the appropriate actions have been taken by Essex Pension Fund ■ When Finance are requested to make lump sum payments by Essex Pension Fund, the payment form they receive appears to be completed manually by Essex Pension Fund. This information is then input manually into the Lloyds system manually by Finance. Having the details manually input firstly onto the form and secondly onto the system could lead to incorrect data being entered 	<ul style="list-style-type: none"> ■ Request feedback from Essex Pension Fund when key processes, such as the Annual Pension Return, are completed. This will enable the department to streamline processes and make constructive changes to them to ensure their output is in line with Essex Pension Fund's requirements ■ Consider whether to set up regular meetings, say quarterly, with Essex Pension Fund to discuss what has gone well over the period, what would be done better next time, what key projects are coming up together with timescales and suggestions for improvements on processes ■ Request confirmation from Essex Pension Fund that appropriate actions have been taken after providing them with information that requires a response <ul style="list-style-type: none"> ■ With regards to payments completed by Finance, there are two options which could be considered: <ul style="list-style-type: none"> ■ The payment information could be entered into an encrypted spreadsheet by Essex Pension Fund and then sent onto Finance who would then import the data onto Lloyds and authorise as normal, removing the need for them manually re-enter the payment data ■ Alternatively, Essex Pension Fund could be given access to input the payment details directly into the Lloyds system, effectively requiring Finance to only authorise the payment and removing the duplication of manual entries 	



Issue	Key Findings and Risk	Recommendation	Priority
Communications with members	<ul style="list-style-type: none"> ■ Although it is important to ensure the processes undertaken by the Authority are efficient and completed in line with requirements, clear communication with members of the Schemes should also be a key objective for the Authority ■ There are a number of instances where processes involve a number of different departments and if it is not clearly defined to members what each which department deals with, the member will receive a disjointed service. For example the leaver process; each department has their own part of the leaver process to complete (HR and payroll complete the form, Finance pay the lump sum, Essex Pension Fund set up and pay the pension). If the member called one department to get an update on when they might receive their pension or lump sum, if the case was not with that department, they would not know what the next stage was or how long it could take ■ We also noted examples where departments would complete their section of a process for a member and then have no further involvement in a case. Therefore, should a member request an update on the progress of their case, they would be unable to provide this 	<ul style="list-style-type: none"> ■ Consider harmonising processes so that there is one process for all departments to work to, rather than several separate processes ■ Provide direct contact details for each stage of a process to members ■ Obtain confirmation that actions have been completed by other departments to allow other departments to provide member updates and ensure a positive member experience 	

Appendices


- We discussed the Annual Pension Return (the “Return”) process with James Durrant, Pensions Manager
- The Return is required to be completed annually by the Authority and submitted to Essex Pension Fund by the deadline of the end of April
- Information provided in the Return is not used to calculate benefits at retirement, however it is used to complete benefit statements which are issued to members of the different Schemes
- A training day was provided by Essex Pension Fund to all employers to reiterate the required output of the Return
- We have set out below our understanding of the Return process. We have also provided a priority scale of ‘red, amber, green’ to highlight the importance any issues outlined in our comments:


Process	Outline of process	Comment and Recommendations	Priority
Annual Pension Return – pre Return	<ul style="list-style-type: none"> ■ An email is received from Essex Pension Fund each year around February / March. This email sets out the requirements for completing the Return and also provides guidance notes 	<ul style="list-style-type: none"> ■ We have noted key person issues with regards to the completion of the return: <ul style="list-style-type: none"> ■ We queried who would be aware to action the Return if the email was not issued by Essex Pension Fund by March. James confirmed he would be aware that the Return was due, but that no other team member would. There is also currently no formal trigger in place to complete the Return, except the email received from Essex Pension Fund ■ James Durrant is the only person able to complete the Return and if he was unable to for any reason, there would be no other person trained to undertake the task in his place. James has drafted comprehensive notes on how to complete the Return, however these have not yet been signed off ■ A checklist is in place which is completed by James as the individual tasks in each stage are completed, however this is not checked and approved by another member of staff and there is currently no workflow process in place 	

Process	Outline of process	Comment and Recommendations	Priority
Stage 1 – Information gathering	<ul style="list-style-type: none"> Following a request to Sarah Webster in Payroll, Payroll collate employee and employer contribution information for the past year for every member of each scheme into a spreadsheet known as the 'All Pensions Spreadsheet' Payments for the past year to the relevant pension schemes are also requested from Glenn McGuinness in Finance to enable reconciliation between Payroll and Finance figures HR are requested to provide CPD and temporary promotion information for the past year and all other required information for the Return is requested from Sarah Webster 	<ul style="list-style-type: none"> James confirmed the 'All Pensions Spreadsheet' can only be provided Sarah Webster in Payroll. This is a key person issue The information is provided from three sources and manually collated by James as there is no automatic process in place 	
Stage 2 – Reconciliation	<ul style="list-style-type: none"> James reconciles member information contained in the 'All Pensions Spreadsheet' as well as reconciling payment information provided by Finance and contribution information provided by Payroll Any anomalies in the data are investigated and resolved 	<ul style="list-style-type: none"> For this years' Return, the reconciliation of Finance and Payroll information was started by an employee before she left the Authority and completed by James This may have resulted in duplication of work as James would have needed to review the work already completed to understand what had been done, as well as completing the reconciliation himself 	
Stage 3 – Removal of Additional Pension Benefits	<ul style="list-style-type: none"> As temporary promotions and CPD cannot count towards final salary benefits, they must be removed from the Return. These elements are required to be deducted from members' contribution and pay figures These deductions are completed manually by James, using reports from the SAP system and formulas in excel spreadsheets 	<ul style="list-style-type: none"> This stage involves calculations which are manually completed within a spreadsheet, using information from a number of sources The complexity of this, as well as being completed manually could cause a possible risk resulting in the miscalculation of the figures 	
Stage 4 – Compile information	<ul style="list-style-type: none"> The information gathered in the previous stages must be collated into a new spreadsheet, in the format required by Essex Pension Fund The information is pulled from a number of spreadsheets into the new spreadsheet, predominantly using the 'vlookup' function in excel 	<ul style="list-style-type: none"> The manual collation of all the information into one spreadsheet brings in risk for a number of reasons, such as the wrong data being copied into the spreadsheet or manual formulas being input incorrectly or overwritten 	


Process	Outline of process	Comment and Recommendations	Priority
Stage 5 – Check information	<ul style="list-style-type: none"> The spreadsheet is checked by James for the following: <ul style="list-style-type: none"> To ensure information has been pulled correctly from the various spreadsheets and SAP reports Sense check of the information contained in the spreadsheet Any errors resulting from 'vlookups' The spreadsheet is then formatted as per Essex Pension Fund's requirements A meeting is arranged between James and Glenn McGuinness to go through the Return. Glenn will provide his sign off by email to confirm the Return can be submitted As James completes the Return, his personal benefit information is checked by another employee and signed off separately by Glenn A checklist was completed by James but was not signed off by another member of staff 	<ul style="list-style-type: none"> The majority of the processes completed to prepare the Return for submission are manual. Therefore, to be able to thoroughly check the completed Return, these processes would need to be replicated by Glenn which would take a substantial amount of time and involve duplication of work James confirmed that this is not done and that Glenn currently completes a broader review of the Return, including an overall sense check 	
Stage 6 – Submit the information	<ul style="list-style-type: none"> The Return is password protected and emailed to Essex Pension Fund An automatic email acknowledgement is received from the Essex Pension Fund mailbox Confirmation that the Return has been submitted is emailed to Lindsey Stafford-Scott and Mike Clayton, copying in Jane Corsham, Sarah Webster and Glenn McGuinness 	<ul style="list-style-type: none"> Other than the automatic acknowledgement email, there has been no confirmation from Essex Pension Fund that the Return has been completed as per their requirements or if they have any queries on the information provided It is important to obtain feedback from Essex Pension Fund to ensure the output provided is correct. Once this has been received, a formal process which has been signed off should be put in place for the completion of future Returns 	


- We discussed the key processes in place in the Finance department with Glenn McGuinness and Elaine Hodgson
- Finance are responsible for the payment lumps sums to members of the Schemes, as well as transferring required funds to Essex Pension Fund for the Firefighters Pensions Scheme's payroll
- We have set out below our understanding of the finance processes undertaken in relation to pension scheme tasks. We have also provided a priority scale of 'red, amber, green' to highlight the importance any issues outlined in our comments:


Process	Outline of process	Comment and Recommendations	Priority
Payment of Lump Sums	<ul style="list-style-type: none"> ■ The Finance department is responsible for the payment of Pension Commencement Lump Sums to members of the Schemes, as well as other lump sums (such as in the event of a member's death) ■ A password protected payment form is sent from Essex Pension Fund to the Finance mailbox and Elaine Hodgson, detailing the payment to be made (including member, bank and payment details). The password is provided by a follow up email ■ The payment is made to members mostly by BACS through the Lloyds online system, however payment can also be made by CHAPS or cheque when required. Team members who only input payment details into Lloyds have restricted access ■ Information from the payment form is manually input into template already set up on Lloyds. The completed template is saved online and then checked and approved by one of six approvers ■ Payments are typically made on the day of receiving the payment form and confirmation that the payment has been sent is provided by email to Essex Pension Fund 	<ul style="list-style-type: none"> ■ The payment form received from Essex Pension Fund is taken 'as seen' by Finance as they are unable to verify any of the information provided on the form. However, a 'sense check' is completed to ensure the figures appear reasonable ■ For payments to be made by CHAPS or cheque, the same payment form used for BACS payments is completed by Essex Pension Fund and forwarded onto Finance. Finance are only made aware of the different payment method through the covering email. The addition of a 'tick box' at the top of the payment form confirming the payment method would enable Finance to quickly identify this ■ It appears that the payment form is completed manually by Essex Pension Fund and then the payment information is input manually into the Lloyds system by Finance. Having to manually input the details twice could lead to incorrect data being entered <ul style="list-style-type: none"> ■ The payment information could be entered into an encrypted spreadsheet by Essex Pension Fund and then sent onto Finance who would then import the data onto Lloyds, removing the need for them manually re-enter the payment data ■ Alternatively, Essex Pension Fund could input the payment details directly into the Lloyds system, effectively requiring Finance to only approve the payment and removing the duplication of manual entries 	


Process	Outline of process	Comment and Recommendations	Priority
Returned payments	<ul style="list-style-type: none"> Occasionally, a payment made to a member can be returned to the bank account. This could be due to incorrect bank account details being provided by the member The bank account is checked daily by Finance to ensure any returned payments are noted Details of the returned payment are provided to Essex Pension Fund for them to deal with accordingly 	<ul style="list-style-type: none"> There is no confirmation received from Essex Pension Fund of how the returned payment has been resolved. Providing this information to Finance would provide closure to that case 	

- We discussed the key processes in place in the HR department with Angela Mayers, Amy White and other members of the team
- The HR team is made up of a number of new members of staff, all of whom were employed by the Authority in the past year
- Many of the processes currently in place have been implemented within the last year by the team and a number of these are under review
- Emails sent to the HR team are predominantly sent to the 'HR mailbox' to which all the team have access. We were advised this was in the process of being replaced by a new 'queueing' system which would provide the person who emailed with a job number and details of when they could expect to receive a response. This will improve the customer experience
- We have set out below our understanding of the HR processes undertaken in relation to pension scheme tasks. We have also provided a priority scale of 'red, amber, green' to highlight the importance any issues outlined in our comments:


Process	Outline of process	Comment and Recommendations	Priority
New joiners	<ul style="list-style-type: none"> ■ A template spreadsheet is provided by Essex Pension Fund for HR to complete with details of any new joiners. Separate spreadsheets must be completed for the LGPS and Firefighters Pension Schemes ■ New joiners' details are input manually into the relevant spreadsheet once signed contracts have been received from the employee. This includes details of each the employee's pensionable pay which is calculated automatically by the SAP system ■ The spreadsheets are checked by Lorraine Yelland before being provided to Essex Pension Fund by email. An automatic response is received from the Essex Pension Fund mailbox to confirm it has been received ■ HR issue a new starter pack to the employee which includes: a joiner letter; information on the relevant pension scheme; retained benefits form; and a 50/50 switch form (LGPS members only) ■ No further action is required by HR unless an employee returns the retained benefits form or 50/50 switch form. These are forwarded by email to Essex Pension Fund who provide email confirmation they have been received 	<ul style="list-style-type: none"> ■ It was unclear whether the spreadsheets sent to Essex Pension Fund were password protected. As these spreadsheets contain sensitive data, such as employees' salaries, it is important to ensure that the data is password protected ■ Although an automatic response is received from Essex Pension Fund to confirm receipt of the email, no further response is provided from Essex Pension Fund. Therefore, the HR department cannot be certain that the email has been actioned appropriately ■ There is a possible key person issue with regards to the checking of the spreadsheet sent to Essex Pension Fund as we were advised this is solely Lorraine's responsibility ■ There is a section on the 'New Starter Form' which requires confirmation that the new employee's details have been added to the monthly spreadsheet sent to Essex Pension Fund. This is signed and dated by the team member processing the new employee and also approved by another team member. Having this on the 'New Starter Form' ensures all employees are included on the monthly spreadsheets 	


Process	Outline of process	Comment and Recommendations	Priority
Leavers	<ul style="list-style-type: none"> ■ A template spreadsheet is provided by Essex Pension Fund for HR to complete with details of any leavers (including retirements). Separate spreadsheets must be completed for the LGPS and Firefighters Pension Schemes ■ Leavers details are input manually into the relevant spreadsheet once HR have been made aware of them <ul style="list-style-type: none"> ■ For retirements, the process initiated by the member or watch manager emailing the HR mailbox to confirm the date the employee wishes to retire from their pension scheme ■ The spreadsheets are checked by Lorraine before being sent onto Essex Pension Fund by email. An automatic response is received from the Essex Pension mailbox to confirm it has been received ■ The SAP system is manually updated to show the employee as a leaver and an individual employee folder is set up on the email system ■ An 'Employee Leaver Form' is completed and scanned onto the email system, along with any letters sent to the employee ■ The first section of the template form 'PN1' is manually completed and forwarded onto Payroll and Essex Pension Fund ■ No further action is required by HR as the remainder of the process is dealt with between Payroll and Essex Pension Fund 	<ul style="list-style-type: none"> ■ It was unclear whether the spreadsheets sent to Essex Pension Fund were password protected. As these spreadsheets contain sensitive data, it is important to ensure that the data is password protected ■ Although an automatic response is received from Essex Pension Fund to confirm receipt of the email, no further response is provided from Essex Pension Fund. Therefore, the HR department cannot be certain that the email has been actioned appropriately ■ There is a possible key person issue with regards to the checking of the spreadsheet sent to Essex Pension Fund as we were advised this is solely Lorraine's responsibility ■ The 'PN1' form is completed in part by HR and then forwarded onto Payroll for them to complete the remainder of the form. This appears to be a duplication of work as Payroll would be required to check the information provided in the first section of the form before completing the remainder of the form and forwarding this onto Essex Pension Fund <ul style="list-style-type: none"> ■ To avoid this duplication, HR could inform Payroll of any leavers by email, which would prompt Payroll to complete the 'PN1' form as required ■ There is a section on the 'Employee Leaver Form' which requires confirmation that the leaver's details have been added to the monthly spreadsheet sent to Essex Pension Fund and that the relevant 'PN1' or 'EPF1' has been issued. This is signed and dated by the team member processing the leaver and also approved by another team member. Having this on the 'Employee Leaver Form' ensures the necessary actions are completed for each leaver 	


Process	Outline of process	Comment and Recommendations	Priority
Leavers (continued)		<ul style="list-style-type: none"> We were informed by the HR team that despite providing the completed monthly spreadsheets to Essex Pension Fund, they often receive queries from them once they have received the completed 'PN1' form <ul style="list-style-type: none"> The queries regularly relate to information provided in the monthly spreadsheets and so, it is unclear whether these spreadsheet are being utilised appropriately by Essex Pension Fund 	
Missing contributions	<ul style="list-style-type: none"> There are a number of circumstances where a member may miss paying employee contributions to their pension scheme, including maternity, sickness or due to industrial action Member of the LGPS are not required to pay missed contributions, whereas members of the Firefighters Pension Schemes are (if they wish to) Sickness and maternity are recorded on the SAP system and details of missing contributions relating to these are obtained through a weekly report run through SAP For retained firefighters, sickness is not recorded on the SAP system due to system limitations. Sickness details for these employees are entered onto a manual paper return which are completed by station managers and then these are provided to HR. HR then manually input these details into a spreadsheet For missing contributions due to maternity or unpaid leave, HR send a letter to the employee confirming they have missing contributions. The letter advises them to contact Essex Pension Fund if they wish to arrange for these contributions to be paid However, for employees on sick leave, the employee receives a letter from HR after 100 days of sickness advising them of reduced pay and deductions, but the letter does not specifically mention pension contributions HR do not deal with missing contributions due to industrial action No further action is required by HR 	<ul style="list-style-type: none"> The action advised to employees if they wish to rectify their missing contributions is to contact Essex Pension Fund. No further information is provided to HR to confirm whether the employee has opted to repay their contributions or not <ul style="list-style-type: none"> It is unclear how it is recorded on the SAP system whether an employee has repaid the missing contributions or not Also, by having no further involvement in the process after issuing the letter, there is no conclusion to the process for HR After the 100 day letter is sent to employees on sick leave, we were advised by HR that they are not aware of any further letters being sent to the member. There is no mention in the letter of missing pension contributions while on sick leave, and therefore there is a risk that employees will not be aware that they have the option to repay these contributions and so, could miss out on pension that they would ordinarily be entitled to, or that the member misses contributions and their break in service is not recorded on their record As the HR department are unable to check whether missing contributions have been repaid, the employee's record on the SAP system would be incorrect and could reflect an incorrect benefit entitlement 	


Process	Outline of process	Comment and Recommendations	Priority
Missing contributions (continued)		<ul style="list-style-type: none"> As details of sickness for members of the Scheme is completed manually, and therefore there are a number of risks, including: <ul style="list-style-type: none"> The information provided by the station manager is not complete, or the return is completed incorrectly As the sickness details are input manually into a spreadsheet, they could be entered incorrectly There is currently no checklist in place for this process that we are aware of. By not using a checklist, key elements of the missing contributions process could be missed and so, completed incorrectly 	
Auto enrolment	<ul style="list-style-type: none"> A spreadsheet is received in the HR mailbox from Payroll to confirm employees who have been auto enrolled into the different pension schemes HR write to the employee to confirm they have been auto enrolled and provide details of the relevant pension scheme, along with an opt out form If the employee wishes to opt out, they must return the completed opt out form either by post or email HR manually update SAP to show the employee has opted out of the pension scheme. If in the scheme for less than three months, a 'padlock' is added to the relevant pension screen on SAP. If more than three months, HR complete the first section of the 'PN1' form and forward this onto Payroll by email. The member is also included on the monthly leavers spreadsheet sent to Essex Pension Fund Payroll are then responsible for processing any refund of contributions to the employee HR use a template letter to write to the employee to confirm the opt out has been actioned 	<ul style="list-style-type: none"> It was unclear whether the spreadsheets sent to Essex Pension Fund were password protected. As these spreadsheets contain sensitive data, it is important to ensure that the data is password protected The 'PN1' form is completed in part by HR and then forwarded onto Payroll for them to complete the remainder of the form. This appears to be a duplication of work as Payroll would be required to check the information provided in the first section of the form before completing the remainder of the form and forwarding this onto Essex Pension Fund <ul style="list-style-type: none"> To avoid this duplication, HR could inform Payroll of any leavers by email, which would prompt Payroll to complete the 'PN1' form as required Payroll provide no confirmation to HR that any refunds of contributions that are required have been processed and so, there is no conclusion to the process for HR Using a template letter to respond to employees provides continuity and ensures all employees receive the same key messages There is currently no checklist in place for this process that we are aware of. By not using a checklist, key elements of the process could be missed and employees may not be processed correctly 	



- We discussed the key processes in place in the Payroll department with Sarah Webster, Payroll Manager
- Payroll is a well established team with key processes having been embedded over time
- We were advised of the limitations of reporting through the SAP system, however there is an ongoing project in place to improve pension reporting and to streamline processes. This project was placed on hold whilst key pension personnel were appointed
- We have set out below our understanding of the Payroll processes undertaken in relation to pension scheme tasks. We have also provided a priority scale of 'red, amber, green' to highlight the importance any issues outlined in our comments:

Process	Outline of process	Comment and Recommendations	Priority
Scottish Widows	<ul style="list-style-type: none"> ■ The Scottish Widows policy was put in place before the NFPS was put in place to allow Retained Firefighters to pay into a pension arrangement and receive a nominal contribution from the Authority ■ The policy was closed to new entrants from 2007 and members were offered the option to retain their benefits in the policy or transfer them to another arrangement ■ A hard copy of the monthly schedule of contributions is received from Scottish Widows. The schedule is manually checked, annotated and agreed against the SAP system for each member ■ A letter saved on the 'P Drive' is amended with the current months' details and a 'GC30' is completed to request the required cheque to be drafted by the Finance department ■ The letter is printed and along with the annotated Scottish Widows schedule, passed to the payroll manager for sign off. The payroll manager is also emailed to confirm the 'GC30' payment form is ready for sign off ■ The payroll manager will sign off the 'GC30' payment form and forward this onto Finance for them to raise a cheque and send this separately to Scottish Widows. The letter is sent to Scottish Widows and copies of the signed letter, signed 'GC30' payment form and email to Finance are then filed 	<ul style="list-style-type: none"> ■ Payment of the contributions is currently made by cheque. Sarah confirmed that they queried with Scottish Widows about one year ago whether payment by BACS would be possible, but Scottish Widows advised they would only accept cheque payments. However, payment by BACS is a more efficient and secure method of payment and this could be queried with Scottish Widows again ■ Also, by making the payment by cheque, there would likely be an unnecessary delay from the date the contributions are deducted from members' salaries to when the cheque is processed by the bank and then invested by Scottish Widows. Investment prices fluctuate daily and the delay in investment could result in members receiving a worse investment ■ The monthly process is triggered by the receipt of the schedule of contributions from Scottish Widows. Sarah confirmed that if this was not received, team members would be aware to query this with Scottish Widows, however it should be considered if a formal trigger should be put in place ■ The schedule is received through the post from Scottish Widows. As there are sometimes delays in the delivery of post and post can be lost in the postal system, it should be queried with Scottish Widows if the schedule could be issued to Payroll by email 	

Process	Outline of process	Comment and Recommendations	Priority
Scottish Widows (continued)		<ul style="list-style-type: none"> ■ If a member wishes to change or stop their contributions to the policy, they inform Scottish Widows directly <ul style="list-style-type: none"> ■ Payroll are often not informed of this amendment by Scottish Widows until up to three months after amendment but in the meantime, will continue to deduct the previous contribution amount, resulting in over or underpayment of contributions ■ This results in additional work for the Payroll team to rectify the over or under payment and could also result in a negative customer experience ■ Improved communication with Scottish Widows could avoid this issue ■ The reconciliation between the schedule and Payroll records is completed manually as it is only provided by Scottish Widows in a paper format. If Scottish Widows were able to provide the schedule in an electronic format, the reconciliation process would be more efficient and the risk associated with manual reconciliation would be greatly reduced ■ As the Scottish Widows policy has been in place for a number of years, it should be considered whether it is still 'fit for purpose'. <ul style="list-style-type: none"> ■ The Pensions Regulator has recently issued a reminder to trustees of defined contribution arrangements to ensure their schemes meet the revised standards (issued in April 2015) covering governance and administration ■ Key issues for the Authority to consider would include when the policy was last reviewed and whether it complies with current regulatory requirements and the requirements of the members 	

Process	Outline of process	Comment and Recommendations	Priority
Missing contributions	<ul style="list-style-type: none"> There are a number of circumstances where a member may miss paying employee contributions to their pension scheme, including maternity, sickness or due to industrial action Payroll deal only with missed contributions due to industrial action and this process is the sole responsibility of one member of the team. We noted that this is a very complex process, however it appeared to be well managed Using roster details of all affected stations, Payroll prepopulate attendance forms with the details of employees who should be at work on the day of the industrial action These attendance forms are issued to the relevant station managers for them to manually complete with details of the employees participating in the industrial action and those on duty. They are then emailed to Payroll to a dedicated email mailbox by a given deadline The information on the forms is input into a spreadsheet which is used to calculate the value of the missing contributions. Addresses are added to the spreadsheet by obtaining the details through a SAP report and executing the 'vlookup' function The completed spreadsheet is checked and signed off by Sarah Webster Letters are sent to the relevant employees which confirm details of the industrial action, pension contribution and salary deductions and a form to return to confirm if the employee wishes to repay the missed contributions When completed forms are received, a copy is scanned onto the system and the spreadsheet and the employees' SAP records are updated Payroll reconcile the completed spreadsheet to a report output from SAP to ensure the figures agree. A report is sent to Essex Pension Fund to confirm whether employees have repaid pension contributions or not 	<ul style="list-style-type: none"> This process heavily involves manual intervention and is primarily reliant on station managers correctly completing attendance forms and returning them by the deadline date Often, the returned attendance forms are completed by hand and so, require Payroll to manually enter the details into a spreadsheet. There is a possible risk that this data could be entered incorrectly The spreadsheet used to calculate the missing contributions does not use protected calculation cells and the addresses are collated from another spreadsheet using the 'vlookup' formula. This brings in risk for a number of reasons, including the wrong data being copied into the spreadsheet or manual formulas being input incorrectly or overwritten There is a possible key person issue with regards to the checking of the spreadsheet as we were advised this can only be completed by Sarah If a member does not wish to repay the missing contributions, they are not required to send any response to the letter issued by Payroll. It is unclear how this would be recorded on employees' SAP records It did not appear that the spreadsheet sent to Essex Pension Fund was password protected. As these spreadsheets contain sensitive data, it is important to ensure that the data is password protected A checklist has recently been put in place by Payroll to ensure all tasks involved in the process are completed. Once completed by the team member, this should be signed by an approver to confirm the process has been completed correctly 	

Process	Outline of process	Comment and Recommendations	Priority
Leavers	<ul style="list-style-type: none"> ■ HR are advised of any leavers, complete the first section of the 'PN1' form and email this onto Payroll ■ The PN1 form requires Payroll to provide final pensionable salary figures. These cannot be provided until the employee's final payroll is completed and so, provisional figures are initially provided if required ■ The information Payroll require to complete the 'PN1' is obtained through the SAP system. This is used to complete 'PN68' which is a template used to calculate final pensionable salary. Once completed, the 'PN1' and 'PN68' forms are checked and signed off by Sarah Webster ■ For estimates only, the 'PN68' is sent to Essex Pension Fund by email. For full leavers and retirements, the 'PN68' and 'PN1' are sent by email ■ All forms, emails and templates are saved on individual employee folders on the shared network drive ■ No further action is required by Payroll 	<ul style="list-style-type: none"> ■ The 'PN1' form is completed in part by HR and then forwarded onto Payroll for them to complete the remainder of the form. This appears to be a duplication of work as Payroll would be required to check the information provided in the first section of the form before completing the remainder of the form and forwarding this onto Essex Pension Fund <ul style="list-style-type: none"> ■ To avoid this duplication, HR could inform Payroll of any leavers by email, which would prompt Payroll to complete the 'PN1' form as required ■ There is a possible key person issue with regards to the checking of the forms sent to Essex Pension Fund as we were advised this is solely Sarah's responsibility ■ It did not appear that the spreadsheets sent to Essex Pension Fund were password protected. As these spreadsheets contain sensitive data, it is important to ensure that the data is password protected ■ Once the information is provided by Payroll to Essex Pension Fund, there is no confirmation received that the appropriate actions have been taken by Essex Pension Fund ■ There is currently no checklist in place for this process that we are aware of. By not using a checklist, key elements of the process could be missed and employees may not be processed correctly 	

Process	Outline of process	Comment and Recommendations	Priority
Auto enrolment	<ul style="list-style-type: none"> The auto enrolment process is completed automatically as part of the monthly payroll process, with no manual intervention required The automatic process updates the following information on the SAP system: <ul style="list-style-type: none"> Contributions National Insurance category Correct scheme details Details of employees who have been auto enrolled is provided to HR by a SAP report output. HR are then responsible for writing to employees to confirm they have been auto enrolled If the employee wishes to opt out, they must return the completed opt out form either by post or email to HR. HR then update the individual's SAP record to confirm they have opted out If in the scheme for less than three months, a refund of contributions is payable to the employee. This refund is completed automatically as part of the monthly payroll process If in the scheme for more than three months, HR provide Payroll with a part completed 'PN1' form and this is processed as per a normal leaver 	<ul style="list-style-type: none"> By having this automatic process in place, the risks associated with manual intervention are avoided The 'PN1' form is completed in part by HR and then forwarded onto Payroll for them to complete the remainder of the form. This appears to be a duplication of work as Payroll would be required to check the information provided in the first section of the form before completing the remainder of the form and forwarding this onto Essex Pension Fund <ul style="list-style-type: none"> To avoid this duplication, HR could inform Payroll of any leavers by email, which would prompt Payroll to complete the 'PN1' form as required 	
New joiners	<ul style="list-style-type: none"> Once HR have completed their new joiner process, a 'hiring payroll check' is completed monthly by Payroll to identify any new joiners For each new joiner, Payroll update the SAP system manually. SAP runs through set screens to update, including National Insurance category for new pension scheme members Before the live monthly payroll run is completed, a run is simulated and this would highlight any errors within the system. If any information is input into a new joiner's record incorrectly, SAP would error as part of the simulated run 	<ul style="list-style-type: none"> By having mainly automatic processes in place, the risks associated with manual intervention are avoided Although the SAP system is updated manually by a team member, the system forces set screens to be reviewed and updated as part of the process 	



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ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

6

MEETING DATE

20 January 2016

REPORT NUMBER

EFA/013/16

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 RSM UK on progress against the internal audit action plan, attached as an appendix.



ESSEX FIRE AUTHORITY

Internal Audit Progress Report

Audit, Governance and Review Committee
presented to

20 January 2016

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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 RSM Risk Assurance 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, RSM Risk Assurance 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.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

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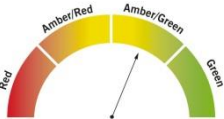
1 INTRODUCTION

The Internal Audit Plan for 2015/16 was approved by the Audit, Governance & Review Committee in April 2015. This report provides a summary update on progress against that plan and summarises the work completed and result of 2015/16 internal audit plan.

2 REPORTS CONSIDERED AT THIS AUDIT, GOVERNANCE AND REVIEW COMMITTEE

The following table confirms the one 2015/16 audit report that has now been finalised since the previous meeting.

We have also issued two further draft reports and are awaiting management comments on this reports before they can be finalised.

Assignments	Status	Opinion issued	Actions agreed		
			H	M	L
IT General Controls Healthcheck (1.15/16)	FINAL		0	3	4

3 LOOKING AHEAD

The internal audit plan for 2015/16 was approved by the Audit, Governance & Review Committee in April 2015. The table below provides a summary update on progress against that plan and dates when audits are planned subject to the availability of key staff within the service.

Assignment area	Start Dates	Notes
Workforce Planning / Utilisation (2.15/16)	Draft Report issued 30 October 2015	Awaiting Management Responses
Purchase of New Applications (3.15/16)	Draft Report issued 10 November 2015	Awaiting Management Responses
PAYE / VAT Health check	Review in Progress	
Key Financial Controls	11 January 2016	Scope and date agreed
Property Maintenance	26 February 2016	Scope and date agreed
Risk Management	22 February 2015	Scope and date agreed
Governance	01 March 2016	Scope and date agreed
Follow up	21 March 2016	Scope and date agreed
Data Retention	21 March 2016	Scope and date agreed

4 OTHER MATTERS

4.1 Changes to the audit plan

There have been no changes to audits areas within the 2015/16 audit plan, however there have been a number of amendments to the timing of audits following requests by management for changes to fieldwork dates. The Committee should note that all dates and scopes are now agreed with management to ensure work is completed by the year end.

The 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.

4.2 Information and briefings

The December 2015 Emergency services news briefing has been issued since the last meeting, please find below the highlights for Fire Authorities information:

Funding reductions on the fire and rescue service

The National Audit Office (NAO) has published two reports analysing how fire and rescue services have coped with funding cuts and how well providers are organised for future cuts expected in the governments autumn spending review. The twin reports by NAO find that fire and rescue services are coping well with funding impacts and that financial reserves have increased, but the NAO warns there are signs that with further funding reductions some forces capability of handling major incidents will be affected.

[Read more](#)

National coordination and advisory framework for England

The Department for Communities and Local Government (DCLG) has released an updated framework for fire and rescue services. The updated framework is designed to provide a 'robust and flexible' response for services dealing with major incidents. DCLG stresses that the frameworks effectiveness is reliant on each authority deploying when needed.

[Read more](#)

FOR FURTHER INFORMATION CONTACT

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ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance &
Review Committee**

AGENDA ITEM

7

MEETING DATE

20 January 2016

REPORT NUMBER

EFA/014/16

SUBJECT

Budget Review – November 2015

REPORT BY

The Finance Director & Treasurer

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

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

RECOMMENDATIONS

Members are asked to:

1. Note the review of income and expenditure against the budget;
2. Note the forecast position for 2015/16;
3. Note the actual position with capital expenditure;

BACKGROUND

This report reviews the actual expenditure against budget to 30 November 2015 for both revenue and capital expenditure.

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	22,047	(30)	0%	-
On-Call Fire-Fighters	3,395	377	13%	-
Control	863	(67)	-7%	-
Support Staff	7,457	(66)	-1%	48
Total Employment Costs	33,762	215	1%	48
Support Costs	1,242	(21)	-2%	143
Premises & Equipment	6,744	(174)	-3%	866
Other Costs & Services	2,636	(169)	-6%	210
Ill health pension costs	1,368	35	3%	-
Financing Items	1,187	(19)	-2%	12
Operational income	(3,286)	(257)	8%	0
Contribution to/(from) Reserves	-	(174)	0%	-
Total Other Costs	9,890	(779)	-7%	1,231
Total Budget	43,652	(563)	-1%	1,279
Total Funding	(49,499)	(58)	0%	-
Funding Gap / (Surplus)	(5,846)	(621)		1,279

More detailed figures are provided at page 7.

STAFFING

Overall employments costs are £215K (1%) above budget for the 8 months to 30 November.

The underspend for whole time fire-fighters is £30K (0.1%). For on-call firefighters, spend is £377K over budget. The industrial action between 13th June and 1st September accounts for additional resilience costs of £385k and is the reason for the overspend.

The £66K (1%) underspend on support staff pay is after the finalisation of a number of virements requested by budget holders to deal with specific project work particularly in the ICT, Community Safety and Property departments.

Whole-time fire-fighter numbers at 724 are 2 (0.3%) under the phased budget at the end of November. The rate of firefighter headcount reduction has slowed over the past 4 months with a net reduction of 7.5 compared to 24 for the first 4 months of the year. There are no plans to recruit more whole-time fire-fighters at the current time.

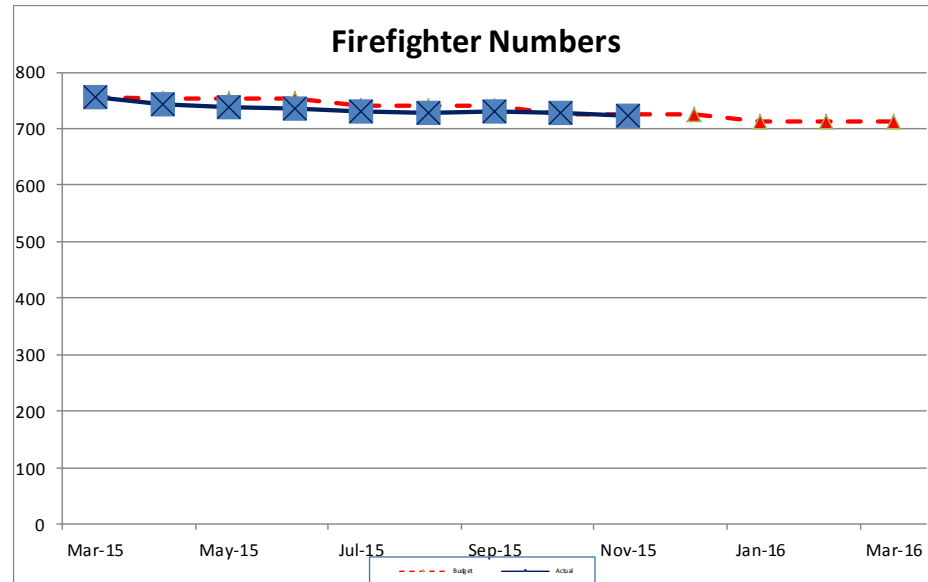
The staffing position at the end of November is summarised below (% figures rounded):

30 Nov 2015	Actual	Budget	Variance	
Wholetime Firefighters - FTE	724.0	726.0	-2.0	0%
On-Call Firefighters - Headcount	480.0	514.0	-34.0	-7%
Control - FTE	33.5	34.0	-0.5	-1%
Support Staff - FTE	259.1	262.0	-3.0	-1%
Total	1,496.6	1,536.0	-39.5	-3%

The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 380 fire-fighters against a maximum station requirement of 454. Changes to the recruitment process for on-call firefighters are being made and an increase in the number of on-call firefighters is expected by the year end.

The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 8 at the end of November. The number of fire-fighters over 50 with more than 25 years' service was 83 at the end of November.

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



WATCH BASED FIREFIGHTERS

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

Date	Budgeted Rider Resource	OptJmum Rider Resilience Level	Critical Minimum Rider Requirement	Actual Riders	Wholetime Rota Day Working (FTE)	On-Call Firefighters Mixed Crewing (FTE)
31/10/2015	624	600	576	573.0	0.0	2.7
30/11/2015	624	600	576	570.0	0.0	2.6

Watch based numbers are marginally below the critical minimum rider requirement. In part this anticipates the reduction in the requirement when Rescue Tenders are withdrawn in early 2016. The management of the shortfall is helped by low levels of leave at this time of year and a planned approach to appliance availability for the second appliance at low activity fire stations. The additional shifts worked by on-call fire-fighters, mainly at Dunmow are reported as Full Time Equivalent (FTE) posts in the table above.

NON PAY RELATED EXPENDITURE

Non pay expenditure is £522k underspent for the 8 months to 30 November; in addition operational income is £257K better than budget. Support costs are £21K (2%) underspent overall, clothing (£16K), occupation health (£32K) and travelling/subsistence (£101K) are all underspent, contributions to the pension fund for financial strain relate to support staff early retirements and are £52k overspent. Training is also £87K overspent.

Premises and equipment is £174K (3%) underspend, the main elements are a slower than budget take up on property maintenance partially offset by higher rent and rates. Operational income is £257k better than budget; the main reason is higher government grants for business rates support than budgeted for (£147K).

FORECAST 2015-16

The first forecast for the year was presented to Members in September. The forecast has been updated to reflect some significant changes, particularly for Programme 2020, the Cultural Review, the Expert Advisory Panel and ICT. Budget holders have been working in conjunction with Finance to prepare budget virements to re-allocate resources as a result of changes to priorities and methods of delivery. These virements have now been processed and are reflected in the table below. The net result is that the total forecast expenditure for the Authority shows an expected overspend of £92K (0.13%) for the year. I am confident that expenditure will be controlled to eliminate this forecast overspend.

The budget agreed by the Fire Authority in February was £71.8m; in addition, the Authority has agreed to make use of reserves to fund specific expenditure in 2015-16. These reserves total £0.9m relating to expenditure carried forward from 2014/15, sprinkler systems and the costs of the cultural review and independent Expert Advisory Panel. The total net expenditure budget for the year therefore stands at £72.7m.

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

Description	Original Full Year Budget £'000s	Virements £'000s	Current Full Year Budget £'000s	Outturn Forecast £'000s	Forecast Variance £'000s	% Forecast Variance
Firefighters	33,311	(494)	32,817	32,976	159	0%
On-Call Fire-Fighters	5,208	-	5,208	5,624	416	8%
Control	1,401	-	1,401	1,334	(67)	-5%
Support Staff	10,433	952	11,386	11,392	6	0%
Total Employment Costs	50,353	458	50,811	51,326	514	1%
Support Costs	1,993	4	1,997	1,981	(16)	-1%
Premises & Equipment	10,151	161	10,311	10,263	(48)	0%
Other Costs & Services	3,354	591	3,945	4,106	161	4%
Ill health pension costs	2,000	-	2,000	2,000	-	0%
Financing Items	7,588	291	7,879	7,879	(0)	0%
Operational income	(4,116)	(308)	(4,424)	(4,735)	(311)	7%
Contribution to/(from) Reserves	506	(297)	209	-	(209)	0%
Total Other Costs	21,474	442	21,916	21,494	(423)	-2%
Total Budget	71,827	900	72,727	72,819	92	0%
Total Funding	(71,827)	-	(71,827)	(71,828)	(0)	0%
Funding Gap / (Surplus)	-	900	900	992	92	

The main reasons for the budget virement of £494K on firefighters pay are a reduction in employer's pension contributions following the introduction of the new firefighter's pension scheme from 1st April 2015 and the transfer of community safety work originally budgeted for under firefighters pay but now being carried out by support staff. In the context of the pension virement it should be noted that the employers' contribution rates for the firefighter's pension scheme were not announced until after the budget for 2015-16 was agreed by the Authority in February.

On call fire-fighters pay is forecast to be £416K overspent, £385K of this relates to the impact of resilience payments as a result of industrial action for the period from the 13th June to 1st September. No further forecast is made for the effects of any further industrial action not yet announced as it is not possible to predict during the remaining part of the year. We currently aim to fund the costs of industrial action within the budget approved by the Fire Authority in February.

The support staff pay budget virements include funding the implementation of job evaluation proposals at a cost in 2015-16 of £250K. The other main factors are additional support costs for Programme 2020 (£227k), additional ICT project work (£203K) and safer communities work originally budget under firefighters pay (£272K).

Operational income is forecast to be better than budget, the main factor is that business rates support is forecast to be £260K better than the budget.

CAPITAL EXPENDITURE

Capital expenditure spent and committed for the 8 months to 30 November 2015 is shown in the table below.

Total capital expenditure is £7.2m, the largest item included is £3.7m for new appliances. The figure also includes £1,255K for asset protection. The equipment spend and commitment of £665K comprises thermal imaging cameras (£344K), heavy rescue equipment (£259K) and gas tight suit replacement (£62K)

The investment of £1,146K in information technology relates to replacing the management information system for Safer Communities, the Water section and Fleet Workshops.

	Original Budget 2015/16 £'000s	Approved Changes £'000s	Revised Budget - 18/3/15 £'000s	Total Spend including Commitments £'000s	Forecast 2015 £'000s
Property					
Solar Panels	-	291	291	-	-
Asset Protection	2,170	-	2,170	1,255	2,170
Total Property	2,170	291	2,461	1,255	2,170
Equipment	736	538	1,274	665	1,274
Information Technology					
Projects > £250k	1,300	(122)	1,178	1,146	1,178
Projects < £250k	200	(200)	-	-	-
Total Information Technology	1,500	(322)	1,178	1,146	1,178
Vehicles					
New Appliances	3,161	839	4,000	3,698	4,000
Other Vehicles	608	479	1,087	411	1,087
Total Vehicles	3,769	1,318	5,087	4,109	5,087
Total Capital Expenditure	8,175	1,825	10,000	7,175	9,709

RISK MANAGEMENT IMPLICATIONS

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

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

LEGAL IMPLICATIONS

There are no direct legal implications within this report.

USE OF RESOURCES

There are no use of resources implications within this report

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from this report

EQUALITY IMPLICATIONS

There are no equality implications arising from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
Appendix 1 – Expenditure compared to budget to 30 November 2015	
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 2015

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	22,047	(30)	0%	-
On-Call Fire-Fighters	3,395	377	13%	-
Control	863	(67)	-7%	-
Support Staff	7,457	(66)	-1%	48
Total Employment Costs	33,762	215	1%	48
Training	398	87	28%	39
Employee Support Costs	491	(6)	-1%	97
Travel & Subsistence	353	(102)	-22%	6
Support Costs	1,242	(21)	-2%	143
Property Maintenance	1,237	(168)	-12%	478
Utilities	393	(5)	-1%	1
Rent & Rates	1,038	80	8%	0
Equipment & Supplies	946	(10)	-1%	89
Communications	966	(12)	-1%	(0)
Information Systems	1,553	(27)	-2%	258
Transport	612	(32)	-5%	40
Premises & Equipment	6,744	(174)	-3%	866
Establishment Expenses	731	(62)	-8%	68
Insurance	373	32	10%	-
Professional Fees & Services	1,364	(136)	-9%	75
Democratic Representation	94	(9)	-9%	-
Agency Services	74	6	9%	67
Other Costs & Services	2,636	(169)	-6%	210
III Health Pension costs	1,368	35	3%	-
Lease & Interest Charges	1,187	(19)	-2%	12
Financing Items	1,187	(19)	-2%	12
Operational income	(3,286)	(257)	8%	0
Contributions to/ (from) General Balance	-	(174)	0%	-
Total Net Financing Requirement	43,652	(563)	-1%	1,279
Revenue Support Grant	(12,350)	(0)	0%	-
National Non-Domestic Rates	(10,181)	-	0%	-
Council Tax Collection Account	(602)	(57)	0%	-
Council Tax	(26,366)	-	0%	-
Total Funding	(49,499)	(58)	0%	-

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

8

MEETING DATE

20 January 2016

REPORT NUMBER

EFA/015/16

SUBJECT

Draft Budget for 2016-17

REPORT BY

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 2016/17;
- Provide information on the budget and business planning process; and
- Provide information on the formula grant settlement, share of national non-domestic rates, council taxbase and collection account for 2016/17.

Following consideration of the planning assumptions in September 2015 by the Policy and Strategy Committee the budget has been prepared showing figures for a Council Tax increase of 1.9%. The budget will have been considered by the Policy & strategy Committee on 13 January.

RECOMMENDATIONS

Members are asked to review the draft budget prior to submission to the full Authority:

	2015/16 Budget	2016/17 Budget
Net Expenditure	£71,827k	£71,452k
Decrease from 2015/16		-£375k
Precept	£39,758k	£41,224k
Band D Council Tax	£66.42	£67.68
Increase from 2015/16		1.90%

1. A net expenditure budget of £71.452m;
2. A precept of £41.224m;
3. A Band D council tax of £67.68 (an increase of 1.9%);
4. The bands of Council Tax are shown in the following table.

Council Tax Band	2015/16	2016/17 with 1.9% Increase
A	£44.28	£45.12
B	£51.66	£52.64
C	£59.04	£60.16
D	£66.42	£67.68
E	£81.18	£82.72
F	£95.94	£97.76
G	£110.70	£112.80
H	£132.84	£135.36

5. Capital expenditure budget of £7.823m in 2016/17.

LOCAL GOVERNMENT FINANCE SETTLEMENT

The provisional settlement figures for 2016/17 were announced on 18 December 2015. The final figures will be confirmed in early February 2016.

For 2016/17 the level of revenue support grant, including past years council tax freeze grant will be £14,230k some £2,073k lower than the current year, this is a reduction of 12.7%. In addition, the Authority will retain 1% of national non-domestic rates (business rates) worth an estimated £6,355k and receive a top-up grant of £8,763k. In total, these amounts for business rates are 0.8% higher than the current year.

The Government also announced indicative levels of revenue support grant for future years up to and including 2019/20. The consultation document states, "The Government is making a clear commitment to provide central funding allocations for each year of the Spending Review period, should councils choose to accept the offer and if they have published an efficiency plan." The certainty that this provides to the Authority is a welcome change and will allow the Authority to consider forward plans on a sound financial basis.

SUMMARY OF GOVERNMENT FUNDING

The table below summarises government funding for 2016/17 in comparison with the current year:

	2015/16	2016/17	Change in Total Settlement Funding Level	
	Total Settlement Funding Level £m	Revenue Support Grant £m		
Revenue Support Grant £m	16.303	14.230	-2.073	-12.7%
Share of NNDR	6.303	6.355	0.052	0.8%
TNNDR Top Up Grant	8.690	8.763	0.073	0.8%
Total	31.296	29.348	-1.948	-6.2%

The profile of Revenue Support Grant for future years is set out in the table below:

	2016-17 £'m	2017-18 £'m	2018-19 £'m	2019-20 £'m
Revenue Support Grant	14.2	11.0	9.3	8.3
Share of NNDR	6.4	6.5	6.7	6.9
Tariff/Top-Up	8.8	8.9	9.2	9.5
Total	29.4	26.4	25.2	24.7

In total, the Authority faces a £8m reduction in revenue support grant over the spending review period. The 2020 Programme has brought forward financially sustainable options for consideration and decisions on the proposals are expected to be made in June 2016 following a period of public consultation.

NATIONAL NON-DOMESTIC RATES

Within the overall amount of funding there is an element funded by the Authority's share (1%) of national non-domestic rates. For 2016/17, decisions by the government to extend relief for small businesses and other policy changes mean that £465k (£465k for 2015/16) of the business rates expected will be replaced by a government grant.

In addition, the government assumes that the Authority's share of national non-domestic rates from the billing authorities will be £6,355k for 2016/17. The exact amount may vary from this level, the Authority holds an earmarked reserve to manage this uncertainty, and it is proposed that any shortfall or surplus in the final level of billing authority sourced funding is managed through this reserve.

To help maximise the local share of national non-domestic rates the Authority has supported a pooling arrangements with the County Council and eight of the Essex district authorities. Under the pooling arrangements, a larger share of any gains in the level of these rates will be retained locally and apportioned within the pool. Because of this, it is estimated that the Authority will gain £120k in additional business rates.

COUNCIL TAX

The Authority has not increased council tax since 2010. For 2016/17, the government has proposed 2% as the threshold above which an increase in council tax would require a referendum. This is subject to confirmation by Parliament in early February 2016. The proposed increase for the Authority of 1.9% is the highest allowed within this threshold. Should the Authority propose to increase council tax by an amount that will prompt a referendum then it has to consider that it will bear any costs through doing so. It is estimated that a referendum could cost between £1.8m and £2.5m. 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.

The increase in council tax from the rate increase add £767k to the Authority's income. If the increase is not agreed then this will create a larger initial call on reserves in 2016/17 and the need for larger savings in future years.

TAX BASE

The position regarding the taxbase of the Authority remains strong with increases through better collection arrangements and growth. 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.

The Authority has aligned itself with the County Council and the Police and Crime Commissioner and agreed with the billing authorities to share 16% of the precepting authorities' gains from technical changes in Council Tax with the billing authority.

The rate of growth in the taxbase has increased as the cautious approach adopted when council tax support was localised has worked through in higher collection rates. The figures for 2016/17 give a further increase of 1.8%.

COLLECTION ACCOUNT

Initial figures for the Council Tax collection account show a positive balance of £880k. The Authority has an earmarked reserve to absorb any negative movement on the collection account fund. This reserve has been reviewed and will be reduced for 2016/17 as it is considered sufficient for future years.

2015/16 FORECAST REVENUE BUDGET POSITION

The forecast outturn has been reviewed to reflect the position at the end of November 2015, this forecast is summarised below and this position is reflected in the comparative figures used in this report.

Description	Forecast Variance to	
	2015-16 Forecast £'000s	Budget £'000s
Firefighters	32,976	159
On-Call Firefighters	5,624	416
Control	1,334	(67)
Support Staff	11,392	6
Total Employment Costs	51,326	514
Support Costs	1,981	(16)
Premises & Equipment	10,263	(48)
Other Costs & Services	4,106	161
Firefighters' Pension Scheme	2,000	-
Financing Items	7,879	(0)
Operational income	(4,733)	(308)
Contribution to/(from) Reserves	(994)	(303)
Total Other Costs	20,502	(514)
Total Budget	71,828	0
Total Funding	(71,828)	(0)

The forecast variance is reported against the revised budget. The main features of the forecast remain higher net pay costs following periods of strike action by firefighters and higher costs of services because of the cultural review and the appointment of the expert advisory panel.

RESERVES

At 31 March 2015, the Authority had £13.6m of usable reserves. Previous decisions, including funding for sprinklers and the carry forward of expenditure from 2014/15 into the current financial year and decisions to fund the costs of the cultural review and the expert advisory panel from reserves mean that there is a forecast reduction in 2015/16 of £1.0m.

The report from the Treasurer (Appendix 1) reviews these factors for 2016/17 onwards including the review periods for the earmarked reserves. Any additional reserves not required in the future can be applied either to fund the costs of future changes or to reduce the outstanding capital financing requirement that will reduce the revenue burden of past capital expenditure.

Because the 2016/17 budget excludes a number of factors that will be determined by future decisions of the Authority it has been balanced using reserves. It is anticipated that the savings from the Management Review will offset this requirement, although the one-off costs of change will need to be funded. The budget does not anticipate future decisions the Authority may make in respect of the Management Review or Programme 2020. As a result the budget will need to be adjusted when these decisions are made.

2016/17 BUDGET

The budget for 2016/17 has been drawn up reflecting the key decisions made by the Authority. The budget supports the Corporate Strategy and departmental budgets reflect the departmental activities in support of the overall strategy. The plans demonstrate the achievement of a balanced budget.

The budget for 2016/17 is summarised below and compared to the most recent forecast for 2015/16.

Description	2015-16 Budget £'000s	2015-16 Forecast £'000s	2016-17 Budget £'000s £'000s
Firefighters	32,817	32,976	31,847
On-Call Firefighters	5,208	5,624	5,522
Control	1,401	1,334	1,345
Support Staff	11,386	11,392	11,477
Total Employment Costs	50,811	51,326	50,190
Support Costs	1,997	1,981	1,717
Premises & Equipment	10,311	10,263	10,514
Other Costs & Services	3,945	4,106	3,516
Firefighters' Pension Scheme	2,000	2,000	2,097
Financing Items	7,879	7,879	7,585
Operational income	(4,424)	(4,733)	(3,922)
Contribution to/(from) Reserves	(691)	(994)	(245)
Total Other Costs	21,016	20,502	21,262
Total Budget	71,827	71,828	71,452
Total Funding	(71,827)	(71,828)	(71,452)

STAFF NUMBERS

Overall staff numbers are summarised below:

Staff Budget (Average)	2015/16 Budget	Changes	2016/17 Budget
Wholetime Firefighters	733	-38	695
On-Call (Retained) Firefighters	514	5	519
Control Staff	34	-1	33
Support Staff	282	-3	279
Total	1,563	-37	1,526

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 a continued standstill in terms of recruitment. This budget will need to be revised when the Authority determines in June 2016 what changes from the 2020 Programme will be implemented. The total number of officer posts reflects the current requirements for command and control of incidents and makes no allowance for changes that may be brought forward as part of the Management Review.

The average numbers of wholetime firefighters in 2016/17 by role are set out below:

Firefighter Budget (Pay Grades are shown in brackets)	2015/16 Budget	Changes	2016/17 Budget
Chief, Deputy Chief & Assistant Chief Fire Officers (Brigade Managers)	4	0	4
Senior Divisional Officers (Area Manager B)	7	-1	6
Divisional Officers (Group Manager B)	17	0	17
Assistant Divisional Officers (Station Managers B)	33	1	34
Flexi Station Officers (Station Managers A)	6	-4	2
Station Officer (Watch Managers B)	55	9	64
Sub-Officer (Watch Managers A)	93	5	98
Leading Firefightes (Crew Managers)	92	9	101
Firefighters	426	-57	369
Total	733	-38	695

For budgetary purposes, the reduction in numbers has been allocated against firefighters.

ON-CALL (RETAINED) FIREFIGHTERS

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

Retained Firefighters	2015/16 Budget	Changes	2016/17 Budget
Head Count	514	5	519
Full Time (120hrs) Equivalent	406	17	423

The on-call firefighters' project has reached delivery stage with new recruitment materials launched in December 2015. The budgeted number for 2016/17 reflects an increase from the 480 on-call firefighters at the end of November with the impact of increased recruitment and lower staff turnover. The main costs for retained firefighters are for their utilisation, rather than headcount. The retained pay budget reflects the actual levels of activity over the last 12 months and makes no allowance for any abnormal activity levels such as flooding, prolonged summer drought or strikes.

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 (33) reflects a saving planned from the implementation of the new mobilising system at Kelvedon Park. Work continues with the system's supplier to complete the implementation of the system.

SUPPORT STAFF CHANGES

For support staff the budget reflects the present structure and makes no adjustment for the management review. Staff numbers reflect actual positions with a separate reduction in the funding provision to reflect a vacancy factor of 7% (the same vacancy factor was applied for the 2015/16 budget). The prior year figures have been re-stated on the same basis. The budget will need to be revised after June 2016 to reflect decisions on the future level of community safety activity and the management review.

Support Staff Changes by Department	2015/16	Changes	2016/17 Pay Model
Safer Communities Admin	29.4	-6.5	22.9
Community Safety	25.6	3.0	28.6
Strategic Management Board	6.0	0.4	6.4
Operations	6.0	-1.0	5.0
Corporate Comms	8.0	-1.0	7.0
Performance & Data Management	9.4	-1.4	8.0
Workplace Fire Safety	9.6	0.0	9.6
Health & Safety	4.4	0.0	4.4
Training	14.6	0.6	15.2
Fleet & Equipment	43.4	0.9	44.3
Finance & Pay	15.0	-1.0	14.0
Purchase & Supply	14.8	-0.6	14.2
Property & Water Services	23.2	-2.0	21.2
Human Resources	30.8	-1.8	29.0
Information Communications Technology	23.3	3.6	26.9
Other Departments & Seconded Posts	5.2	0.0	5.2
Emergency Planning (ECC)	12.8	-1.0	11.8
Project 2020	0.0	5.0	5.0
Total	281.5	-2.8	278.7

STAFF COSTS

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

RESILIENCE AGREEMENTS

The budgets for firefighter and on-call 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.

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. The full year impact of the increase for firefighters agreed in July 2015 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 virements for inflationary pressures. For the purposes of the budget, the provision of £500k for inflation has been included as a contribution to reserves.

PENSION SCHEMES

FIREFIGHTER PENSION SCHEMES

There were significant changes in the pension schemes for firefighters in 2015. The main impact of the changes is an increase in the employment costs of on-call firefighters, many of these firefighters move into the new 2015 scheme with higher employer contributions than the 2006 scheme. This higher cost 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 2016/17 is £1,968k, there have been no additional injury awards made in 2015/16. The level of ill-health retirements has fallen considerably in recent years, and provision has been made for one such retirement in 2016/17.

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 new rates of employers National Insurance contributions reflecting the ending of the reduction for employees in pension schemes that were contracted out. The change has increased costs by £820k in 2016/17.

INFLATION

Some specific allowances are included within the budget bids for expected inflationary increases in business rates, utilities and fuel and for higher supplier prices for property related costs. Budget holders have absorbed other inflationary pressures.

NON-STAFF COSTS

For non-staffing costs, the budget is derived from the outturn expenditure for 2015/16 "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.

The budget process was carried out in conjunction with the 2016/17 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 peer reviews.

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 2016/17 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;

- 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 2015. 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 2016/17.

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.

RISK PROTECTION

The Authority’s present risk protection arrangements are provided through the Fire and Rescue Indemnity Company Ltd (FRIC) in a risk sharing arrangement with eight other Fire and Rescue Authorities. The new arrangements went live from 1 November and initial contributions to FRIC are in line with the insurance premiums paid in the previous year.

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 2015/16 and the planned capital budget for 2016/17. The expected capital receipt from the sale of the former headquarters at Hutton in 2016 will increase useable reserves and could provide the opportunity to offset the statutory provision for capital financing in 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	2015-16 Budget £'000s	2015-16 Forecast £'000s	2016-17 Budget £'000s
Income			
Government Grants	2,292	2,552	1,984
Cycle to Work Scheme	38	38	38
Childcare Vouchers	84	85	95
Sales of Vehicles	10	10	10
Canteen Income	49	81	91
Sale of Vehicle Spares	35	40	35
Aerial Sites	122	122	122
Solar Panels	60	60	60
Hydrant Tests	80	55	80
Lease Cars - Employee Contributions	87	87	87
General Sales	26	20	5
Service Charges	9	9	9
Secondments	299	292	92
Community Safety general	35	35	-
Labour Credit	50	80	60
Section 12 Income	40	40	45
Interest on short term lending	120	95	65
Community Fire Safety	255	255	300
Reimbursements from EFA(T)	84	89	62
Other Miscellaneous Income	42	80	139
Emergency Planning Income	608	608	543
Total Income	4,424	4,733	3,922

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 lower income for secondments, and the reduction in grant income because there is no council tax freeze grant.

PRECEPT AND IMPLICATIONS FOR COUNCIL TAX

The table below sets out the calculations of the proposed council tax and show the changes from the 2015/16 budget.

	2015/16 Budget	Council Tax Freeze 2016/17	Change
	£'000	£'000	£'000
Budget Requirement	71,827	71,452	(375)
Sources of Finance			
Revenue Support Grant	16,303	14,230	(2,073)
National Non-Domestic Rates	14,993	15,118	125
Total Grant	31,296	29,348	(1,948)
Collection Fund Surplus	773	880	107
Precept Requirement	39,758	41,224	1,466
Tax Base	598,581	609,102	10,521
Council Tax (Band D)	£66.42	£67.68	£1.26

The main changes from 2015/16 are the reduction in revenue support grant, offset by an increased taxbase and an increase in the collection account balance. Around half of the increase in the precept comes from the higher taxbase with the balance from the increase in council tax.

CAPITAL PROGRAMME 2016/17 – 2018/19

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 either projects that are 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:

	Forecast 2015/16 £'000s	Capital Bid 2016/17 £'000s	Capital Bid 2017/18 £'000s	Capital Bid 2018/19 £'000s	Capital Bid 2019/20 £'000s
Property					
New Premises	-	1,000	-	-	-
Service Workshops	-	-	-	-	-
Existing Premises	-	-	-	-	-
Solar Panels	-	300	-	-	-
Asset Protection	2,170	2,000	2,000	2,000	2,000
Total Property	2,170	3,300	2,000	2,000	2,000
Equipment	1,274	592	60	92	190
Information Technology					
Projects > £250k	1,178	400	-	-	-
Projects < £250k	-	425	100	100	100
Total Information Technology	1,178	825	100	100	100
Vehicles					
New Appliances	4,000	2,255	2,050	2,050	1,845
Other Vehicles	1,087	851	255	1,421	277
Total Vehicles	5,087	3,106	2,305	3,471	2,122
Total Capital Expenditure	9,709	7,823	4,465	5,663	4,412

Projects where there is not a confirmed business case or a break point in the decision process are excluded from the above figures. This includes the potential changes to properties after 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

A capital receipt for the sale of the Hutton site is expected in the first half of 2016. 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. There is also flexibility to use them to fund other revenue costs of change.

The government have not indicated that there will be any transformation funding or capital grants available in 2016/17.

FUNDING CAPITAL EXPENDITURE

The cash generated from the proposed income and expenditure budget is £5.9m with the balance of funding coming from the Authority's cash balances carried forward from 2015/16. In addition, a loan of £1.5m from the Public Works Loan Board will be paid off during the year. After these changes, the Authority will still have around £9m of cash balances at March 2017. The longer-term position will depend on the change costs associated with the 2020 programme.

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 2016/17.

The Authority is also required to consider and set the capital financing indicators for the period 2016/17. 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 appended to this paper.

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	
Appendices	
Appendix 1 – Treasurer’s Report on 2016/17 Budget	
Appendix 2 – Draft Budget Book	
List of background documents	
Proper Officer:	Director of Finance & Treasurer
Contact Officer:	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 2016/17 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 either are 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:

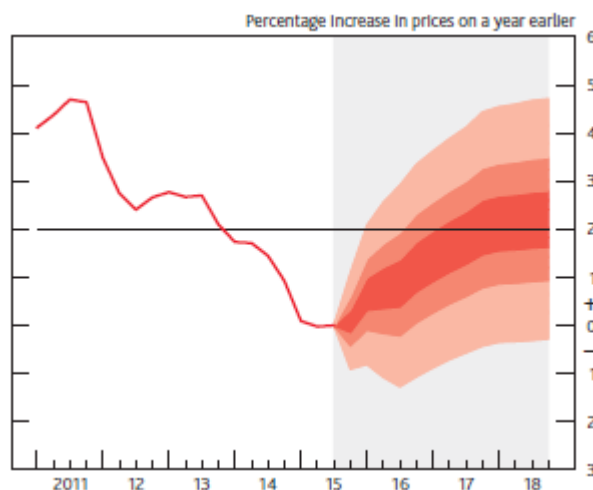
1. Assumptions regarding inflation;
2. Estimates of the level and timing of capital receipts;
3. Treatment of demand led pressures;
4. Treatment of savings;
5. Risks inherent in any new partnerships etc.;
6. Financial standing of the Authority (i.e. level of borrowing, debt outstanding etc.);
7. The 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 positive and inflation is expected to remain low through 2016/17. The outlook for inflation remains below the 2% target set for the Bank of England. The Bank of England's November 2015 inflation forecast (CPI) is shown below:



A key element in the budget preparation process is building in an appropriate allowance for inflation up to 31 March 2017. 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.

The budget assumes that fuel and utility prices remain low and no adjustments have been made to reflect price changes. No other specific allowances have been built into the budget for pay or price inflation. Instead, an overall inflation and contingency allowance of £500K has been used. If the requirement to increase cash budgets because of pay awards exceeds this provision then either offsetting savings will need to be found elsewhere in the budget, or

the additional costs in 2016/17 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 2015. 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 2016 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. The main pressure within local government is for the lowest paid staff and the move towards increasing the national living wage. These changes do not materially affect the Authority's pay bill.

Despite the forecast of low inflation and a low oil price through 2016 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 2016/17.

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 £7m 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 2016 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 695 wholetime firefighters in 2016/17. The staffing forecast reflects 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 2015/16 has included some significant one off costs associated with periods of flooding and the long running incident at Thoby Lane. The budget for 2016/17 reflects this level of activity.

Management controls enable 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 £0.6m 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 £0.3m, there would be some scope to meet such costs within the existing budget provision by re-prioritisation.

In addition, the Authority is committed to a review of the organisational culture. The costs of this review are not yet known and no budget provision has been made – it is anticipated that the review could be funded from the underspending in 2014/15.

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 £0.3m. The implementation of these resilience arrangements costs depends on the nature of the strike action taken. In 2015/16, strikes involving supervisors and managers were called resulting in a cost per shift of around £50k for the resilience arrangements. To date such costs have been managed within the overall budget.

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 2015, the Authority had £33.5m 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 January 2016 with a further £1.5m to be repaid in 2016/17. 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 2016/17 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 2016, the cash balance is projected to be £7m. 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 2015

confirmed that the Fire Authority can take substantial assurance from the budgetary controls in place.

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 RISK PROTECTION ARRANGEMENTS

Current risk protection arrangements are through a company created 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 risk protection related costs remains at £1.0m. The consortium continues to work together on benchmarking and improving risk management to help to mitigate this risk.

PENSION LIABILITIES

1. 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 2016/17.

2. Support staff

The Authority contributes 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 2016/17 budget and these rates and amounts will be fixed until March 2017.

RESERVES

The general reserves of the Authority were £3.742k on 1 April 2015. The present forecast suggests that the Authority has a net use of reserves of £1,994k in 2015/16 and a transfer from earmarked reserves of £2,628k (see below). The general reserve is therefore forecast to be £4,376k at 31 March 2016. The budget for 2016/17 requires £745k of funding from 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 2015 Balance £'000s	March 2016 Balance £'000s
Emergency Planning	To hold savings on the costs of Emergency Planning Reviewed annually with Essex County Council	365	365
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.	600	600
Spend to Save Reserve	Good track record of delivering savings. Provides the ability to fund a period of transition before savings are delivered. £250k allocated for sprinklers in 2015/16	1,131	900
Taxbase and Collection Account Reserve	Last shortfall in 2012/13. Since then average of over £500k favourable balance.	500	200
National Non-Domestic Rates Collection Reserve	Risk remains through pooling arrangements, but considered low.	600	200
Infrastructure Reserve	To support future capital expenditure on buildings. Planned increase to even out future capital spending	2,400	2,400
Rolling Budgets Reserve	To hold balances of expenditure carried forward into the next financial year.	247	0

Specific Reserves	Comment & Review	March 2015 Balance £'000s	March 2016 Balance £'000s
Business Continuity Reserve	To provide funds for any business interruption event not covered through risk protection funding. Reduced to reflect participation in FRIC.	500	300
Risk Protection	Expected limit of calls from FRIC.	1,500	250
Total		7,843	5,215

The assessment of the general level of reserves takes into account the factors noted below:

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 2016/17	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 close to the mid-point of this range.

CONCLUSION

Given the level of General Balance available in 2016/17 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 2016/17 and future years.

M Clayton

Finance Director & Treasurer

ESSEX FIRE AUTHORITY BUDGET 2016/2017

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REPORT BY THE TREASURER TO THE FIRE AUTHORITY

KEY FEATURES OF THE 2016/17 BUDGET

The revenue budget requirement of **£71.452m** is a decrease of £375k against the 2015/16 budget of £71.827m.

The budget for capital expenditure has been set at **£7.823m**.

The planned General Reserve as at 31 March 2017 is **£3.593m**.

Staff Budget	2015/16	Changes	2016/17
Wholetime Firefighters	733	(38)	695
Retained Firefighters	514	5	519
Control Staff	34	(1)	33
Support Staff	282	(3)	279
Total	1,563	(37)	1,526

THE REVENUE BUDGET - BACKGROUND

Employment costs equate to over 70% of the Authority's total revenue budget, with the number of firefighters employed the most significant element. The budget reflects a continued standstill in terms of recruitment. This budget will need to be revised when the Authority determines in June 2016 what changes from the 2020 Programme will be implemented. The total number of officer posts reflects the current requirements for command and control of incidents and makes no allowance for changes that may be brought forward as part of the Management Review. The main costs for retained firefighters is for their utilisation, rather than headcount. The retained budget reflects the actual levels of activity over the last 12 months and makes no allowance for any abnormal activity levels such as flooding, prolonged summer drought or strikes. The budget for control staff reflects resources to cover vacancies, maternity leave and training so that we are able to maintain full staffing. For support staff the budget reflects the present structure and makes no adjustment for the Management Review.

For non-staffing costs the budget has been based on the outturn expenditure for 2015/16 "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.

On-going changes from 2014/15

	£000	%
2015/16 budget requirement	71,827	
Inflation	500	0.7
Committed changes arising from 2015/16	(876)	(1.2)
2016/17 budget requirement	71,452	(0.5)

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.

CHANGE IN THE REVENUE BUDGET REQUIREMENT

The table below summarises the changes in the revenue budget requirement between 2015/16 and 2016/17. The budget reflects the achievement during 2014/15 of £1,485k efficiency savings identified with departments during budget prioritisation work.

Committed changes arising from 2014/15

	£000
Reduction in firefighter posts	(1,444)
Higher costs for employers' National Insurance	820
Contribution from Reserves	745
Provision for capital financing	(126)
Lease and interest charges	(167)
Efficiency savings	(703)
	<u>(876)</u>

FINANCING THE BUDGET

The budget requirement is financed as follows:

	£000	%
Revenue budget requirement	71,452	
Financed by :		
Revenue support grant	14,230	19.9
National non-domestic rates	15,118	21.2
Council tax	41,224	57.7
Collection fund surplus	880	1
	<u>71,452</u>	<u>100.0</u>

PRECEPT AND IMPLICATIONS FOR COUNCIL TAX

The table below sets out the calculations of the proposed council tax and shows the changes from the 2015/16 budget.

	2015/16 £000	2016/17 £000	Change £000	Change %
Budget Requirement	71,827	71,452	(375)	-0.5
Sources of Finance				
Revenue Support Grant	16,303	14,230	(2,073)	-12.7
National Non-Domestic Rates	14,993	15,118	125	0.8
Total Grant	31,296	29,348	(1,948)	-6.2
Collection Fund Deficit	773	880	107	13.8
Precept Requirement	39,758	41,224	1,466	3.7
Tax Base	598,581	609,102	10,521	1.8
Council Tax (Band D)	£66.42	£67.68	£1.26	1.9

The main changes are the lower levels of government funding.

The Council Tax, which is levied on domestic property, consists of a county, police, fire, district/borough and, where appropriate, parish element. The tax is set at one of eight bands, depending upon the value of the property.

The Band D Council Tax required to fund the Authority's 2016/17 precept requirement of **£41.224m** is **£67.68**.

The Council Tax bands for 2016/17 are set out below:

Band	Valuation Band	£
A	Up to £40,000	£45.12
B	£40,001 to £52,000	£52.64
C	£52,001 to £68,000	£60.16
D	£68,001 to £88,000	£67.68
E	£88,001 to £120,000	£82.72
F	£120,001 to £160,000	£97.76
G	£160,001 to £320,000	£112.80
H	More than £320,000	£135.36

SERVICE REPORTING CODE OF PRACTICE

Page 9 sets out the Authority's budget in the standard form required by the Service Reporting Code of Practice. This analysis is not consistent with the Authority's internal management structure as set out in the detailed estimates and therefore apportionments have been made to enable these figures to be produced. One of the key aims of the Code is to enable comparisons to be made between Fire Authorities.

Service Strategy 2014/15 to 2018/19



OUR PURPOSE:

As a fire and rescue service, we are here to protect and save life, property and the environment.

WHAT HAVE WE ACHIEVED SO FAR?

Since 2004 the focus of the fire and rescue service has been to reduce risk through a strategy based on prevention and protection, with our response to incidents seen as a last resort. This approach has been successful with a 50% reduction in overall incidents attended in the past 10 years.

During this period we have seen the growth of some risks, notably flooding and there remains the possibility that other emergencies may occur that need our specialist response.

Through work such as the fire cover review, ICT transformation programme and the workforce transformation programme we have already made some progress in modernising our ways of working. This strategy will ensure that, against the context of an increased pace of change, we make even better use of our resources to continue delivering an excellent service whilst achieving lasting culture change.

WHERE DO WE WANT TO BE?

Essex is safer, we have reduced the risk to life, property and the environment in our communities and the need for our emergency response service. We will have maintained our ability to respond to all foreseeable risks in an efficient and effective way. We have an engaged and satisfied workforce who are highly skilled and well led.

HOW WILL WE ACHIEVE THIS?

The Service strategy is underpinned by the Service values of:

- Openness
- Accountability
- Involvement
- Respect

The Service will get where it wants to be by delivering the following Service objectives in line with these values.

SERVICE OBJECTIVES:

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.

Success Measures:

- Reduction in the number of incidents attended.
- Reduction in the rate of accidental dwelling fires per 100,000 dwellings.
- Reduction in the number of people killed or seriously injured in road traffic collisions.
- Reduction in the average Essex workplace premises risk score.
- Reduction in the average Essex leisure premises risk score.
- Reduction in the number of people killed or seriously injured in fires.

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

Success Measures:

- Achieve a timely response to incidents.
- Reduce the rate of accidents per 100,000 employees.
- Increase public satisfaction with the way in which we respond to incidents.

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

Success Measures:

- Achieve appliance availability targets.
- Reduction in cost per hour of appliance availability.
- Reduction in projects running over timescale.
- Reduction in projects running over cost.

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

Success Measures:

- Improved staff satisfaction.
- Increase percentage of employees who are satisfied with the training they receive to do their role.
- Reduce the number of days/shifts lost per person to sickness absence.
- Increase the percentage of staff who received an appraisal in the past 12 months.

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

Success Measures:

- Reduce our carbon footprint.
- Increase public recognition for the work we undertake.

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

Success Measures:

- Improved satisfaction with leadership within the Service.

THE CAPITAL BUDGET

THE CAPITAL PROGRAMME

The Authority has set a budget of **£7.823m** for capital payments in 2016/17. The programme for 2016/17 is set out on page 10. This budget book also gives details of draft programmes for the following three years. The forecast programmes are provided in order that advance design work may be carried out in good time and also to ensure that the longer lead times for the purchase of appliances can be planned for in the medium term.

As part of the budget process, the Authority will review the uncommitted elements of these future programmes before a decision is taken to commit resources to them. The budget figures for the 2017/18, 2018/19 and 2019/20 programmes are **£4.465m**, **£5.663m** and **£4.412m**. Future programmes that do not have an agreed outline business case are excluded from the forward plans.

CAPITAL FINANCING

It is planned to finance the Authority's capital programme by internal resources from the accounting provisions for capital expenditure in earlier years and the opening cash balance. The interest cost of loans used to finance capital expenditure is included within the revenue budget.

CONTACT POINTS

If you would like further information please contact the Finance Director & Treasurer to the Fire Authority, at

**Essex Fire Headquarters,
Kelvedon Park,
Witham,
Essex. CM8 3HB**

(Tel: 01376 576000)



Mike Clayton
Finance Director & Treasurer to the Fire Authority
Email mike.clayton@essex-fire.gov.uk

REVENUE BUDGET SUMMARY

2014/2015 Actual £000		2015/2016		2016/2017 Estimate £000
		Original Budget £000	Updated Budget £000	
34,729	Firefighters	33,311	32,817	31,847
6,183	Firefighters - retained duty system	5,208	5,208	5,522
1,673	Control staff	1,401	1,401	1,345
11,295	Support staff	10,433	11,386	11,477
53,880	Total Employment costs	50,353	50,811	50,190
1,911	Support costs	1,993	1,997	1,717
10,603	Premises & equipment	10,151	10,311	10,514
3,329	Other costs & services	3,354	3,945	3,516
2,077	Firefighters' ill-health pension costs	2,000	2,000	2,097
5,939	Financing items	8,093	7,187	7,340
(5,044)	Operational income	(4,116)	(4,424)	(3,922)
18,815	Total Other costs	21,474	21,016	21,262
72,695	Total Budget	71,827	71,827	71,452
	Funding			
(19,164)	Revenue support grant	(16,303)	(16,303)	(14,230)
(14,755)	National non domestic rates	(14,993)	(14,993)	(15,118)
(38,651)	Council tax	(39,758)	(39,758)	(41,224)
(500)	Collection fund (surplus)/deficit	(773)	(773)	(880)
376	NDR surplus/deficit	-	-	-
(72,695)	Total Funding	(71,827)	(71,827)	(71,452)

DETAILED ESTIMATES

2014/2015 Actual £000		2015/2016		2016/2017 Estimate £000
		Original Budget £000	Updated Budget £000	
	Employment costs			
34,729	Firefighters	33,311	32,817	31,847
6,183	Firefighters - retained duty system	5,208	5,208	5,522
1,673	Control staff	1,401	1,401	1,345
11,295	Support staff	10,433	11,386	11,477
53,880	Total Employment costs	50,353	50,811	50,190
	Support costs			
622	Training	480	505	480
593	Other employee costs	777	756	556
696	Travel & subsistence	736	736	681
1,911	Total Support costs	1,993	1,997	1,717
	Premises & equipment			
1,992	Property maintenance	2,288	2,138	2,143
671	Utilities	476	596	590
1,496	Rent & rates	1,438	1,438	1,389
1,435	Equipment & supplies	1,434	1,434	1,448
1,487	Communications	1,269	1,400	1,409
2,443	Information systems	2,205	2,314	2,604
1,080	Transport	1,041	991	931
10,603	Total Premises & equipment	10,151	10,311	10,514

DETAILED ESTIMATES (cont.)

2014/2015		2015/2016		2016/2017
Actual		Original Budget	Updated Budget	Estimate
£000		£000	£000	£000
	Other costs & services			
1,133	Establishment expenses	1,210	1,212	960
483	Insurance	511	511	512
1,437	Professional fees	1,377	1,965	1,788
145	Democratic representation	155	155	145
131	Agency services	102	102	110
3,329	Total Other costs & services	3,354	3,945	3,516
2,077	Firefighters' ill-health pension costs	2,000	2,000	2,097
	Financing items			
1,908	Lease & interest charges	1,808	1,808	1,641
3,499	Other financing items	-	-	-
5,639	Statutory Provision for Capital Financing	5,779	6,070	5,944
-	Voluntary Provision for Capital Financing	-	-	-
(5,107)	Contribution to/(from) General Balance	506	(691)	(245)
5,939	Total Financing items	8,093	7,187	7,340
(5,044)	Operational income	(4,116)	(4,424)	(3,922)
72,695	Total Net Financing Requirement	71,827	71,827	71,452
	Funding			
(19,164)	Revenue support grant	(16,303)	(16,303)	(14,230)
(14,755)	National non domestic rates	(14,993)	(14,993)	(15,118)
(38,651)	Council tax	(39,758)	(39,758)	(41,224)
(500)	Collection fund (surplus)/deficit	(773)	(773)	(880)
376	NDR surplus/deficit	-	-	-
(72,695)	Total Funding	(71,827)	(71,827)	(71,452)

SERVICE REPORTING CODE OF PRACTICE

2014/2015		2015/2016		2016/2017	
Actual		Updated	Gross	Income	Net
£000		Budget	Expenditure		Expenditure
		£000	£000	£000	£000
	Community safety				
6,273	Statutory inspection, certification and enforcement	5,317	5,546	(196)	5,350
9,298	Prevention and education	8,171	8,522	(592)	7,930
	Fire fighting and rescue operations				
51,853	Operational responses	42,830	44,699	(1,940)	42,759
8,176	Communications and mobilising	6,261	6,363	(352)	6,011
845	Securing water supplies	728	824	(105)	719
787	Fire Service Emergency Planning and Civil Defence	698	1,359	(658)	701
	Corporate and Democratic Core				
835	Democratic representation and management	1,003	968	(13)	955
82	Corporate Management	68	69	(1)	68
62	Non distributed costs	-	-	-	-
78,211	Net cost of services	65,076	68,350	(3,857)	64,493
	Other items excluded from net cost of service				
(109)	Interest and investment income	(120)	-	(65)	(65)
5,639	Provision for capital financing	6,070	5,944	-	5,944
(521)	Pension interest & reserve movements	-	-	-	-
1,652	Interest payable	1,492	1,325	-	1,325
(10,886)	Reversal of depreciation charge	-	-	-	-
(1,105)	Contribution to/(from) General Balance	(691)	(245)	-	(245)
(186)	Transfer to Holiday Pay Account	-	-	-	-
72,695	Total Net Expenditure for Council Tax	71,827	75,374	(3,922)	71,452

CAPITAL PROGRAMME

Capital programme	Capital budget			
	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000
Property				
Asset Protection	2,000	2,000	2,000	2,000
Service Workshops	1,000	-	-	-
Solar Panels	300	-	-	-
Equipment	592	60	92	190
Information Technology				
Projects > £250k	400	-	-	-
Projects < £250k	425	100	100	100
Vehicles				
Appliances	2,255	2,050	2,050	1,845
Other vehicles	851	255	1,421	277
Total	7,823	4,465	5,663	4,412

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

AGENDA ITEM

**Audit, Governance & Review
Committee**

9

MEETING DATE

REPORT NUMBER

20 January 2016

EFA/016/16

Subject

Community Development & Safeguarding (Evaluation report 2013/14-2014/15)

REPORT BY

Assistant Chief Fire Officer for Safer & Resilient Communities, Paul Hill

PRESENTED BY

Assistant Chief Fire Officer for Safer & Resilient Communities, Paul Hill

SUMMARY

The purpose of this report is to assess the delivery and impact of the education and intervention schemes delivered by Essex County Fire & Rescue Service over the last two years. The report responds to questions regarding the effectiveness of prevention activity, and the appropriateness of the variety of needs met by some of these schemes.

RECOMMENDATIONS

Members of the Essex Fire Authority are asked to:

1. Note the content of this report.
2. Continue to support the Education, FireBreak, Fire Cadets and Junior Fire Setter intervention schemes.

BACKGROUND

The work of the Safer and Resilient Communities Directorate is to prevent incidents that would attract an emergency response from Essex County Fire and Rescue Service; and to support a Community to become resilient to such events. There has been a recent challenge during our Integrated Risk Management Planning consultation that the work of the Service has had no impact on the number of house fires or on the reduction of incidents; and so the appropriateness of work delivered must be considered.

The reduction in operational demand for fire services, and developing collaboration between service providers has generated a number of conversations across the Country with Partners and Government Departments regarding fire services engaging in activity outside a simple fire prevention remit.

The evaluation of our Community Development and Safeguarding activity only includes the formal delivery of regularly delivered and repeated interventions and Courses. It does not include the delivery of prevention and protection activity in the following arenas:

- Road Traffic Collision (subject to its own type specific evaluation)
- Volunteers
- Fitting Of Smoke Alarms
- Water Suppression Systems (Sprinklers)
- Fire Safety in the Workplace, Crowded Places and for Leisure Activities
- Fire Safety Guidance, Advice and Enforcement
- Local Fire Safety and Safety support (incl. Delivering Differently in Neighbourhoods)
 - Community Builders and Liaison Officers
- Fire Station Personnel delivery to reduce local risk
- Volunteers (incl. Parish Safety)
- Fire Museum
- Flood Alleviation
- Fire Investigation and Arson Reduction
- After Incident Responses (incl. Comm. Safety Investigations)
- High Risk Groups and Activity, Seasonal and National Media Campaigns and Support
- Partner and Multi Agency Collaboration and Training (Home Safety, Hazard Spotting and Risk Analysis)

The report only includes information and outcomes from completed evaluations and it is noted that there has been a significant increase in the number of safeguarding referrals, with approximately 50 live cases currently.

RISK MANAGEMENT IMPLICATIONS

The potential risk to reputation is managed through an evaluation of every course, and the update activity that checks the impact of the course on participants' months after the courses have ended. Schools are also asked for feedback on the delivery of classroom sessions and the outcomes of these are considered regularly.

There is also a risk that our courses and interventions have either no beneficial impact on the behaviour of its participants or worse, a detrimental effect. This is assessed by our staff and subsequently by partners after 3 and 6 months from the end of FireBreak courses.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
ECFRS Community Development & Safeguarding Evaluation 2013/14-2014/2015	
List of background documents (not attached):	
Proper Officer:	Assistant Chief Fire Officer, Safer and Resilient Communities
Contact Officer:	Assistant Chief Fire Officer, Paul Hill Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: paul.hill@essex-fire.gov.uk

Essex Fire Authority

Essex County Fire & Rescue Service



MEETING

AGENDA ITEM

**Audit, Governance & review
Committee**

10

MEETING DATE

REPORT NUMBER

20 January 2016

EFA/017/16

SUBJECT

- 1. Pension Governance and Administration**
- 2. Employer discretions for the Firefighter Pension Schemes**

REPORT BY

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

PRESENTED BY

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

SUMMARY

This report is to provide information to Members regarding the governance and administration of pension arrangements within the Authority.

This report also sets out key employer decisions which are required and recommended in relation to the current Firefighter Pension Schemes.

RECOMMENDATIONS

Members of the Audit, Governance and Review Committee are asked to note the information in the report and to review the Statement of Policy of employer discretions (Appendix 1) under the relevant regulations of the Firefighter Pension Schemes.

BACKGROUND

Annual Pension Benefit Statements

Benefits statements have always been available to contributors to the Local Government Pension Scheme. The difficulty of reporting accurate data to our Pension Scheme administrators, the Essex Pension Fund (EPF), has meant that, up to 2014/15, benefit statements have not been available to employees who contribute to the Fire Pension Schemes. The first objective of the newly appointed Pensions Manager for the service was to ensure reporting of data to the EPF to enable the distribution of Annual Pension Benefit Statements to contributors to the Fire Pension Schemes.

This exercise was achieved for 2014/15 and all wholetime firefighters received their Benefit Statements on the 13th November. All on-call firefighters who were within 5 years of retirement also received a benefit statement with the commitment to provide a statement to all employees in 2016.

The statements were based on contributions to 31st March 2015 and, for this year only, do not therefore provide a statement of benefits in the FPS 2015 which was introduced on the 1st April 2015. In 2016, the statements will include information on all scheme contributions.

This has been a great piece of work by our Pensions Manager, the payroll team and the Essex Pension Fund and has been very well received by the workforce. It has enabled the Service to address some data issues and for employees to consider their pension arrangements even if they are some way from retirement.

Work is well underway to ensure that the data available to generate next year's statements is more easily accessible to ensure a more efficient process

Pay and Pension Project and KPMG review

As a result of review work undertaken on the issues of pension and pay organisation and administration and with information received from the review undertaken by KPMG during July a pay and pension project is being undertaken and is being managed by a dedicated resource within Finance but in close liaison with HR and Pensions. The project will have key deliverables relating to processing of information in readiness for the annual returns to the Essex Pension Fund which drives the annual benefit statement exercise as well as the review of processes between the payroll and HR teams in house and with the Fire Service Pension Team at the Essex Pension Fund. To this end it has been decided that the payroll team will be co-located with the HR support team which will serve to ensure greater communication and collaboration between the teams to the benefit of their customers. A further report on the progress of the pay and pension project will be made to future meetings of the AGR committee.

The KPMG review commissioned by me has provided some useful external insight into our administration arrangements. Key findings were related to communications, procedures and system development and these have been fed into the pay and pension project. A discussion will be held with KPMG to determine the value of a follow up review related to the improvements made. The review also highlighted the continued use of the Scottish Widows personal pension provision within the Authority and this has initiated a separate review of this provision which will be reported to the Strategic Management Board in the New Year. The full report has also been provided to the Committee with the other audit reports.

Regional and National collaboration

The Eastern Region Fire Pension scheme group has now been meeting for a year and all members across the region (nine authorities in all) has benefited from this group which is chaired by the Essex Fire Authority. The meeting has ensured improved communications and information sharing on fire scheme issues, greater collaboration and networking and a focus on pending and live regulatory issues.

The Firefighters Pension Adviser, Clair Alcock, who is hosted by the LGA, but funded by contributions from all Fire Authorities, is having a significant impact in the delivery of information and shared working to all Fire Authorities and this year organised the first AGM for Fire Authorities related to Pension matters.

A case has been made by the Chairs of all the Regional Pension Groups for additional national resource to support Fire Pension Scheme administration recognising the valuable contribution that Clair has made, but also recognising a lot still needs to be achieved, and a response to this request is awaited.

Regional Local Pension Board training

On the 28th January the Fire Authority has organised and will be hosting a regional training event for Local Pension Board members from across the region. The event will be an opportunity for Pension Board members to have a shared learning event with national speakers on pension issues such as tax, contracting out and pension governance.

Local Pension Board arrangements for Fire Pension Schemes and the LGPS and the establishment of the Scheme Advisory Board for Fire Pension Schemes

The Local Pension Board for the Essex Fire Authority has held two meetings this year. The first was held in July which officially constituted the Board and which set the terms of reference. The second business meeting was held on the 12th October 2015. Agenda items were related to information items such as the pension scheme provision and statistics on membership, an update on the annual benefit statement exercise and the pay and pension project as well as a discussion about training requirements for Board Members and with input from the Essex Pension Fund regarding their role in support of the Fire Pension schemes. The next meeting of the Board will be held in March.

The (National) Scheme Advisory Board for Fire Pension Schemes is being constituted now which is a little later than expected. The Board will consist of 14 members (7 employer and 7 employee members) and the Chair is currently being selected through the DCLG and the appointment will be confirmed by the Secretary of State. It is expected that the Scheme Advisory Board will dictate to a certain extent the business agenda for the Local Pension Board and further information on this is awaited.

Early Retirement

Members will recall that the offer of early retirement as part of the Organisational Change process was agreed at the Fire Authority meeting in December. At the time of writing expressions of interest have been received which generates a pension estimate for consideration and some applications are moving through the approval process. A further verbal update on this will be provided at the meeting.

Retained Modified Pension Scheme

The pension provision under this scheme which is for on-call employees who did not have access to pension provision prior to 2006, is currently being processed and pensions for 37 former employees, who are now of pension age, have been put into payment. The provision for other members (3 other pensioners, 67 still active employees and 26 deferred pensioners) is being put in place currently with an anticipated completion date of 31st March 2016

Firefighters' Pension Scheme 1992 - Pensions Ombudsman Determination

The Pension Ombudsman's recent determination on the complaint brought by Mr W Milne, a retired firefighter means that additional redress payments will be paid to certain retired firefighters.

The Government has decided that additional lump-sum payments are to be made to members of the Firefighters' Pension Scheme 1992 who became entitled to payment of their pension between 1 December 2001 and 21 August 2006 inclusive (the relevant dates) and who chose to commute part of that pension for a lump sum. This is to address the Ombudsman's conclusion that the Scheme's commutation factors should have been reviewed before 2006. The funding for these payments will be provided the Fire Authority in January with payments made to 170 retired firefighters or their estates by the 29th January. The administration costs of processing these additional payments will be funded by the Fire Authority.

Legal challenge by the Fire Brigades Union to the transitional protections in the FPS2015

The Employment Tribunal Discrimination claims being brought by members of the FBU relate to alleged age, sex and race discrimination (and possibly equal pay complaints) arising from the Transitional Protections which came into force on 1 April 2015 with the introduction of the 2015 Scheme. All Fire Authorities in England, Wales, Scotland and Northern Ireland are subject to the claims and the Local Government Association is co-ordinating the activity in defence of the claims. The DCLG are subject to a separate claim. At the time of writing, it is proposed that a test case is taken forward through the tribunal system. Essex Fire Authority is represented on the Steering Group by the Director of HR and OD.

Ending of contracting out April 2016

The new State Pension system will change how people's State Pension is calculated. It will be introduced in April 2016 and will affect everyone who reaches State Pension age on or after 6 April 2016. In future, each extra year on someone's National Insurance record will add the same extra amount of future pension, just one flat rate extra amount, until State Pension Age or the full new State Pension are reached.

Under the new State Pension the Additional State Pension scheme (which was related to earnings) will end. The ability to 'contract-out' of the Additional State Pension (in return for paying less National Insurance (NI) or having NI go directly towards a private pension) will end when the new State Pension is introduced.

After contracting-out ends in April 2016, employees will need to pay National Insurance (NI) contributions at the full standard rate. The reduction in NI that contracted-out employers get now will also end. This means that for employees of the Fire Authority the rebate of 1.4% will end and for the Fire Authority as an employer the rebate of 3.4% will also end which will mean that the Fire Authority will have an additional amount of £820,000 to pay towards national insurance contributions in 2016-2017 and in subsequent financial years.

Policy Development

The consultation with the recognised unions on three new policies is just about to conclude. The policies are on Retirement, Abatement and Flexible Retirement (LGPS members only for Flexible Retirement). The policies will be available on the service intranet and briefing sessions will be available to employees.

Financial advice

Sound financial advice on the point of retirement or planning for retirement is invaluable to enable an individual to make appropriate decisions to ensure their financial security in retirement.

The Strategic Management Board has recently agreed an arrangement with Affinity Financial Awareness (<http://www.affinityadvise.co.uk/>) a national private sector company, which can provide employee support which is centred on financial advice and retirement planning

The Service will use Affinity to offer a financial advice resource to employees either approaching retirement or for pre-retirement planning.

The provision offered by Affinity is being advised to our workforce alongside the Government Money Advice Service <https://www.moneyadviceservice.org.uk/en> and the website 'Unbiased' which provides a search facility for independent financial advice <https://www.unbiased.co.uk/>

The manner in which Affinity provision is communicated primarily is by the provision of a pre-retirement course to employees approaching retirement; however it is proposed a link providing information about the service is placed on the Service Intranet to be accessible at any time.

The pre-retirement courses will be offered free of charge by Affinity, in return for the opportunity to act as a first point of contact to employees who may wish to engage a financial adviser.

Fire Schemes discretionary decisions

On 10th March 2015 the final Regulations relating to the new 2015 Firefighters' Pension Scheme (FPS2015) were finalised by Parliament and the new scheme came fully into effect on 1st April 2015. Benefits accruing for membership of this new scheme accrue on a Career Average Revalued Earnings (CARE) basis, rather than on a final salary basis as per the Firefighters Pension Scheme 1992 (FPS1992) and the Firefighters Pension Scheme 2006 (FPS2006).

The provisions of the FPS2015, together with the protections for members' accrued pre 1 April 2015 final salary rights, are contained in the Firefighters' Pension Scheme (England) Regulations 2014.

Fire Authorities have to formulate, publish and keep under review a Statement of Policy on certain discretions which they have the power to exercise in relation to members of the FPS2015, as well as the FPS1992 and FPS2006.

The purpose of the Statement of Policy at Appendix 1 is to ensure that there is clarity on the policy of the Essex Fire Authority with regard to the various discretions provided by the Firefighter Pension Schemes. This is for the purpose of the administrator of the Essex Fire Authority's pension schemes, Essex Pension Fund, and for employees of the Essex Fire Authority who are contributing members of a Firefighter Pension Scheme or eligible to be a member of a Firefighter Pension Scheme.

The Director of Human Resources and Organisational Development has the delegated authority to manage the pension arrangements on behalf of the Authority. In exercising her delegated powers the Director of Human Resources and Organisational Development has consulted with the Strategic Management Board in relation to the discretion decisions

described. The Finance Director & Treasurer has determined that the financial risk is manageable within the Fire Authority resources.

The discretions document is attached at Appendix 1. Other discretions within all the Fire Pension Schemes will be managed on a case by case basis with policy developed as necessary to support decisions made.

It is proposed that the Statement of Policy is reviewed in April 2017 or sooner if the need arises.

RISK MANAGEMENT IMPLICATIONS

The adoption of the Statement of Policy will ensure that there is clarity regarding the policy of the Authority related to the exercise of the pension discretions and consistency of decision making.

FINANCIAL IMPLICATIONS

The financial implication of the legal challenge related to the transitional protections under the FPS2015 is unknown at present.

The financial risk of the discretions policy has been reviewed by the Finance Director and Treasurer to the Fire Authority and is considered acceptable.

LEGAL IMPLICATIONS

The adoption of the Statement of Policy will ensure that the Authority complies with Pension Scheme regulation and controls the financial and reputational risks associated with staff disputes.

USE OF RESOURCES

Support for Pension Scheme administration is provided by a dedicated resource within HR.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications within this paper

EQUALITY IMPLICATIONS

There are no equality implications within the report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
Appendix 1 Policy Statement on Employer Discretions	
List of background documents (not attached):	
Proper Officer:	Lindsey Stafford- Scott
Contact Officer:	Lindsey Stafford- Scott Essex Fire Authority, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: l.stafford-scott@essex-fire.gov.uk

STATEMENT OF POLICY

Discretions under Firefighter Pension scheme Regulations

Policy Statement

By (Employer)

Essex Fire Authority

This document includes discretionary policies for the relevant regulations; the Firefighter's Pension Scheme 1992, the New Firefighter's Pension Scheme 2006 and the Firefighter's Pension Scheme 2015.

Such policy decisions are to be kept under review.

Print Name Lindsey Stafford-Scott

Signed

Position Director of Human Resources and Organisational Development

Date

1 Fire Authority Discretions - Firefighter Pension Scheme Regulations 1992

A written policy statement is required concerning the following:-

	Discretion	Regulation	Employer Policy
1.1	<p>The scheme manager has discretion to determine if the following payments are to be treated as pensionable pay to provide an additional pension benefit:-</p> <p>(a) any allowance or supplement to reward additional skills and responsibilities that are applied and maintained outside the requirements of the firefighter's duties under the contract of employment but are within the wider functions of the job;</p> <p>(b) the amount (if any) paid in respect of a firefighter's continual professional development;</p> <p>(c) the difference between the firefighter's basic pay in their day to day role and any pay received whilst on temporary promotion or where he is temporarily required to undertake the duties of a higher role;</p> <p>(d) any performance related payment which is not consolidated into his standard pay.</p>	Rule B5C (1), (5)	<p>The additional pensionable pay resulting from a period of temporary promotion which started after 1 July 2013 will be pensionable as an Additional Pension Benefit.</p> <p>The amount paid in respect of a firefighter's continual professional development will be pensionable as an Additional Pension Benefit.</p>

	Discretion	Regulation	Employer Policy
1.2	<p>Where an active member is absent from scheme employment because of illness or injury and not entitled to receive pensionable pay, or because of trade dispute or authorised unpaid absence, they may pay member contributions and the employer contributions due for the period.</p> <p>The fire and rescue authority may agree to pay the employer's contribution for the firefighter.</p>	Rule F2 (5)	The Firefighter must pay both the employee and employer contributions in order to reckon the period of authorised absence as pensionable service unless extenuating circumstances apply.
1.3	<p>Where a retired Firefighter is re-employed by any fire and rescue authority in whatever capacity, the fire and rescue authority may withdraw the whole or any part of the pension for any period during which the person entitled to it is re-employed.</p>	Rule K4, LA2 (9)	<p>Abatement to pension will apply if the member's new salary, combined with the pension they are in receipt of, exceeds (is more than) their total salary they received while previously employed, then that excess amount is abated (taken away from) their pension for the period whilst the member is in receipt of such a salary.</p> <p>Pension abatement will apply unless exceptional circumstances apply. Such exceptional circumstances are if the role is hard to fill or is a specialist role where the continuing expertise of the post-holder is critical to the operational effectiveness of the service.</p>

	Discretion	Regulation	Employer Policy
Note	Overpayment of pension		No discretion is required for overpayment of pensions as the regulations set out the requirements in this situation. As payments are made in advance, if a pensioner dies it is likely that an instalment of pension will have been made in respect of a period after his or her death. Rule L3(2) explains that if this is the case, no recovery of that instalment should be made in respect of the period after the date of death. But if there is a Spouse, the date of payment for the Spouse's pension moves to the day after the former firefighter had been paid up to.

2 Fire Authority - Firefighter Pension Scheme Regulations 2006

A written policy statement is required concerning the following:-

	Discretion	Regulation	Employer Policy
2.1	<p>The scheme manager has discretion to determine if the following payments are to be treated as pensionable pay to provide an additional pension benefit:-</p> <p>(a) any allowance or supplement to reward additional skills and responsibilities that are applied and maintained outside the requirements of the firefighter's duties under the contract of employment but are within the wider functions of the job;</p> <p>(b) the amount (if any) paid in respect of a firefighter's continual professional development;</p> <p>(c) the difference between the firefighter's basic pay in their day to day role and any pay received whilst on temporary promotion or where he is temporarily required to undertake the duties of a higher role;</p> <p>(d) any performance related payment which is not consolidated into his standard pay.</p>	Rule 7B (1), (5) of Part 3	<p>The additional pensionable pay resulting from a period of temporary promotion which started after 1 July 2013 will be pensionable as an Additional Pension Benefit.</p> <p>The amount paid in respect of a firefighter's continual professional development will be pensionable as an Additional Pension Benefit</p>

	Discretion	Regulation	Employer Policy
2.2	Where a retired Firefighter is re-employed by any fire and rescue authority in whatever capacity, the fire and rescue authority may withdraw the whole or any part of the pension for any period during which the person entitled to it is re-employed.	Rule 3 of Part 9	Abatement to pension will apply if the member's new salary, combined with the pension they are in receipt of, exceeds (is more than) their total salary they received while previously employed, then that excess amount is abated (taken away from) their pension for the period whilst the member is in receipt of such a salary. Pension abatement will apply unless exceptional circumstances apply. Such exceptional circumstances are if the role is hard to fill or is a specialist role where the continuing expertise of the post-holder is critical to the operational effectiveness of the service.
2.3	Where an active member is absent from scheme employment because of illness or injury and not entitled to receive pensionable pay, or because of trade dispute or authorised unpaid absence, they may pay member contributions and the employer contributions due for the period. The fire and rescue authority may agree to pay the employer's contribution for the firefighter.	Rule 4 of Part 10	The Firefighter must pay both the employee and employer contributions in order to reckon the period of authorised absence as pensionable service unless extenuating circumstances apply.
2.4	Where the authority are not informed of the death of a pensioner; and a pension to which he was entitled has continued in payment, the authority may recover all or part of the overpayment, as they think fit; and may recover it by set-off against any other award payable under this Scheme in respect of the deceased.	Rule 5 of Part 14	The Authority will deduct any overpayment of pension from any other award payable under the scheme in respect of the deceased. If no further award is payable, the Authority will seek to recover any overpayment that is greater than £25 unless extenuating circumstances apply.

3 Fire Authority - Firefighter Pension Scheme Regulations 2015

A written policy statement is required concerning the following:-

	Discretion	Regulation	Employer Policy
3.1	The scheme manager must ensure that delegated powers are appropriate and current.	Regulation 5	The Director of Human Resources and Organisational Development continues to have full delegated powers from the Scheme Manager.
3.2	The scheme manager has discretion to determine if continual professional development payments are to be treated as pensionable pay.	Regulation 17(1)(d)	The amount paid in respect of a firefighter's continual professional development will be treated as pensionable pay.
3.3	Where an active member is absent from scheme employment because of illness or injury and not entitled to receive pensionable pay, or because of trade dispute or authorised unpaid absence, they may pay member contributions; if they do, the scheme employer may require that they should also pay employer contributions.	Regulation 111(2), (3) and (4)	The Firefighter must pay both the employee and employer contributions in order to reckon the period of authorised absence as pensionable service unless extenuating circumstances apply.
Note	Overpayment	No regulatory position	The Authority will deduct any overpayment of pension from any other award payable under the scheme in respect of the deceased. If no further award is payable, the Authority will seek to recover any overpayment that is greater than £25 unless extenuating circumstances apply.

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

AGENDA ITEM

**Audit, Governance and Review
Committee**

11

MEETING DATE

REPORT NUMBER

20 January 2016

EFA/018/16

SUBJECT

Programme 2020 - Progress Report

REPORT BY

Acting Chief Fire Officer, Adam Eckley

PRESENTED BY

Acting Chief Fire Officer, Adam Eckley

SUMMARY

This report provides members of the Audit, Governance and Review Committee with an update on the work Programme 2020 and provides a forward view of planned work and deliverables.

RECOMMENDATIONS

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

BACKGROUND

Programme 2020 was started in February 2015 and is the mechanism through which the Service will deliver the change required in order that it becomes service led, community focussed, values driven and financially sustainable.

Using the Managing Successful Programmes (MSP) methodology the programme has two distinct phases; definition and delivery.

The programme is currently in the definition phase during which time the research, analysis and public consultation is being undertaken. A revised Corporate Strategy and business case for change will be prepared and will be presented to the Fire Authority for approval in June 2016 marking transition to the delivery phase.

The new Corporate Strategy, which will encompass the Authority's 'Integrated Risk Management Plan' (IRMP) and the business case for change will set out the details of those proposals for change adopted by the Authority and the mechanism to achieve those changes.

SUMMARY OF PROGRESS

Following the results of the first consultation which were considered by the Essex Fire Authority at the meeting held on 7 October 2015 (EFA/083/15 refers) the focus of the programme has been the development of a range of options for change.

The options development work has included:

- Research and analysis by the programme team
- Specialist fire cover modelling by external consultancy
- Workshops with employees
- Workshops with Trade Unions

The Programme team, supported by external specialists developed a series of options for consultation which were predicted to meet the new response standards and deliver savings of between £6.4M and £13.6M. These options were discussed at a workshop between Officers and Members on 18 December 2015 at which the Fire Brigades Union (FBU), Fire Officers Association (FOA) and Retained Firefighters Union (RFU) also presented their views for consideration. These options will now be considered by the Essex Fire Authority at the meeting held on 13 January 2016.

OTHER KEY ACTIVITIES COMPLETED

The Retained Duty System (RDS) Development Project has progressed into the delivery stage and has recently delivered new and improved recruitment material and established an RDS Development Advisory Group. An outcome of the RDS Development Project is the change of title from RDS Firefighter to On-Call Firefighter. The title RDS/Retained firefighters came up throughout the focus groups and workshops and those involved were clear that they felt the title was a barrier to recruitment and effective publicity due to the lack of understanding from the public as to what 'RDS' is. The opinion was that 'on-call firefighter' would be better understood and more easily recognisable and improve promotion of on-call station recruitment. An on-call Liaison Officer position will be piloted with a view to improve appliance availability, increase engagement with local employers, improve external promotion of on-call station roles, opportunities and vacancies and work with internal departments to improve recruitment and training processes.

Following the Cultural Review, the Programme Terms of reference were reviewed and the Expert Advisory Panel has been added to the programme board. A Values Project Co-ordinator has been appointed to the programme team to support the values workstream which will lead the response to the 35 recommendations in the Cultural Review report.

KEY ACTIVITIES PLANNED

The second stage consultation is due to start on 1 February 2016. The consultation strategy and plan have been developed and will see a similar approach to the first stage with a combination of quantitative (questionnaire) and qualitative (focus group) research used to seek views across different stakeholder groups.

The outcomes of the consultation will be considered at the 8 June 2016 meeting of the Essex Fire Authority.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications arising from the matters dealt with in this paper

FINANCIAL IMPLICATIONS

There are no financial implications arising from the matters dealt with in this paper

LEGAL IMPLICATIONS

There are no legal implications arising from the matters dealt with in this paper

EQUALITY IMPLICATIONS

There are no equality implications arising from the matters dealt with in this paper.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from the matters dealt with in this paper.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
List of background documents (not attached):	
Proper Officer:	Acting Chief Fire Officer Adam Eckley
Contact Officer:	SDO Paul Bowers/Ben Pilkington Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: ben.pilkington@essex-fire.gov.uk

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

12

MEETING DATE

20 January 2016

REPORT NUMBER

EFA/019/16

SUBJECT

Organisational Performance Report

REPORT BY

Director of HR and Organisational Development, Lindsey Stafford Scott

PRESENTED BY

Director of HR 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 December 2014 to November 2015.

RECOMMENDATIONS

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

Performance to November 2015

The following measures are annual measures and not reported against here

4a Improved staff satisfaction

4b The percentage of employees who are satisfied with the training they receive to do their role

5a Annual reduction in carbon footprint

6a Improved satisfaction with leadership within the Service

The following measures continue to be measures under development:

2a Achieve a timely response to incidents (response standard 20:20)





2c Percentage of respondents who were satisfied with the response they received (20:20)

3b Cost per hour of appliance availability. Proposed measures suggested by Mike Clayton to replace 3b are under consideration.

5b Percentage of survey respondents who were aware of the range of work we undertake (20:20)

We have introduced into this report an at a glance performance box which colour codes both performance against month (m) and year to date (ytd) the key to the colour coding is as follows:-



Colour key:

	>10% worse than target
	0-10% worse than target
	0-10% better than target
	>10% better than target
	No data/reported quarterly

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.

1a. Number of Incidents attended in Essex

		1a Number of incidents attended in Essex Performance against Month and YTD target
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ECFRS attended 1,107 incidents in November 2015, an increase on the number recorded over the same month last year (target is to be below previous year's out-turn). The rolling 12 month total stands at 13,357 which is a 1% decrease on the previous 12 months.

Over the previous 12 months, fires have increased by 13% (487 more fires) with the majority of this increase being in secondary fires over the summer months. Emergency special service calls have reduced by 10% (366 fewer incidents) with attendances at false alarms down by 4% (218 fewer attendances) compared to last year.

SDB commissioned a piece of Analysis into the increase of Secondary Fires (Appendix A) which was presented in December's SDB Meeting, this has been

passed to Safer Communities for review and feedback. This is due in February's SDB meeting.

1b. Rate of Accidental Dwelling Fires (ADF)

M	YTD	1b Rate of Accidental Dwelling Fires (ADF) Performance against Month and YTD target
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ECFRS recorded 83 ADFs in November 2015, more than the 70 recorded in the same month in 2014. The rate of ADFs per 10,000 dwellings was 1.1 in November 2015, worse than the target of 0.9 and better than the rate recorded in November 2014.

The current rolling 12-monthly rate of accidental dwelling fires is 10.8, slightly worse than the target of 10.2 but better than the rate recorded for the previous rolling year (12.3).

Kitchen fires, which comprise the bulk of accidental dwelling fires (62%), have increased by 5% in the most recent 12 months compared to the same time period from the previous year. More than half of these fires relate to cooking.

SDB have commissioned an in-depth piece of analysis into ADF and Targeted Intervention to aid them in developing an action plan to improve this figure, this is currently being produced.

1c. Number of people killed or seriously injured in road traffic collisions

M	YTD	1c Number of people killed or seriously injured in RTCs Performance against Month and YTD target
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At the time of reporting data has not been provided by ECC for people killed or seriously injured in road traffic collisions during November 2015.

The long term rolling 12-monthly trend has been the number of KSI have been increasing towards the end of 2015, being slightly worse than target (99.5%) by October 2015.

1d. Rate of casualties (fatal and non-fatal) resulting from fires per 100,000 population

M	YTD	1f Rate of casualties (fatal and non-fatal) resulting from fires per 100,000 population Performance against Month and YTD target
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Essex recorded 0 fire-related fatalities in November 2015, along with 5 non-fatal casualties. The 12-month rolling rate of casualties is now 5.5 per 100,000 population, which is slightly worse than target and slightly worse than then same period in the previous year (5.4).

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

2a. 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.

M	YTD	Call to alert in 90 seconds Performance against Month and YTD target
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81% of calls were handled within 90 seconds in November 2015. This is worse than the previous year and below the target of 90%.

However it must be noted that performance against target reported in May was 33% of calls handled within 90 seconds and 76% in August; the more recent November figures demonstrate a continuous improvement in Performance for the period May to November 2015.

The Control room have been back on the old NX system since 28 March 2015 which has contributed in the improvement of performance.

M	YTD	Wholetime Turnout – Time of station alert to proceeding % within 2 minutes Performance against Month and YTD target
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56% of turnouts in Wholetime Stations were within 2 minutes during November 2015. This is worse than in November 2014 as well as being worse than the 75% target set for that month. The trend over the last 12 months is the actual figures are slowly decreasing against target.

The delay in the introduction of AVLS and our new mobilising system means we are still dependent on our officers confirming appliances are proceeding to an incident using the main scheme radio.

Recently station managers have been asked to explore whether the drop in this indicator is linked to a reduction in attendance times. Previously at E10, there has been little correlation between changes in this indicator and the overall change in attendance times. However, this trend changed and E10 have experienced an increase in attendance times. Further local investigation is in hand. This indicator is likely to be replaced by a measure of how long it takes the Service to attend an incident from the time of call to the time of arrival. This will give a far better indication of Service performance

M	YTD	Retained Turnout – Time of station alert to proceeding % within 6 minutes Performance against Month and YTD target
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74% of turnouts in Retained stations were within 6 minutes during November 2015. This matches the previous year and is slightly under the 75% target set for that month.

In November there were 23 Retained Stations that exceeded their target by up to 10% and 1 that exceeded it by over 10% and 15 that did not meet their target.

Over a rolling 12 months there were 6 Retained Stations that exceeding their target by up to 10%, 13 that exceeded it by over 10% and 21 Stations that did not meet their target.

Performance is discussed at monthly area command meetings. This indicator will continue to feed into the information available to station managers, which forms the basis of discussion with watch managers at retained stations. Working with our retained watch managers, our focus is driving recruitment where it is required and exploring what can be achieved by the current team to meet the target on those stations that are currently not at that level. Whilst we are being successful in recruiting new RDS staff, it is only at a sufficient rate to mitigate the volume of leavers. Efforts continue in this area.

The number of personnel based at each retained station can influence the turn out time. The service can be reliant on those further from the station or responding from their primary work place during the day which can impact on turn out times. In order to improve recruitment, the distance a potential candidate can live or work from the fire station has been increased in certain areas which helps to ensure the appliance is available but does affect the turn out time. ERB will drive a more flexible approach to availability which should have a positive impact upon turn out times. Both Area Commands have identified availability as an on-going priority and focus

2b. Rate of Accidents per 100,000 employees

M	YTD	2a Rate of Accidents per 100,000 employees Performance against Month and YTD target
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There were 99 accidents from December 2014 to November 2015, a 17.5% reduction (21 fewer) than the same period in the previous year.

The annual accident rate per 100,000 employees (on a rolling 12 month basis) is 10,191 which is better than target of 13,406.9 and better than the same period in the previous year

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

3a Achieve appliance availability targets

M	YTD	3a Achieve appliance availability targets Performance against Month and YTD target
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84.4% of the total appliance availability during November 2015, this is slightly better than in November 2014 but worse than the 94% target set for that month. This Figure has been steadily increasing since August when the total appliance availability was 76.9%

No data on appliance availability exists for the period 14 January 2015 to 9 June 2015 therefore the YTD rating should be used as a guide only as it is compiled using 6 months data instead of 12.

3c Reduction in projects running over timescale

3d Reduction in projects running over cost

The new Portfolio Management Office (PMO) is now in operation. The PMO initially identified 94 pieces of change as of September 2015. The Service Delivery Board then carried out a priority review of these pieces of change and identified 36 pieces of change that were live which would carry a high risk to the Service is paused or it are enablers to the delivery of Programme 2020.

The review further identified 33 items of Change that are live but could be put on hold due to not meeting the above criteria whilst being reviewed in more detail as part of the Business Planning process for 16/17.

Gateways are being developed from project initiation to delivery to ensure that all change is monitored and reviewed.

Following this piece of work more defined measures relating to project timescales and project costs will be developed.

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

4c. Average days/shifts lost per person to sickness absence per year

M	YTD	4c Average days/shifts lost per person to sickness absence per year Performance against YTD target
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The average days/shifts lost to sickness absence per person by the end of November 2015 was 9.1. This is worse than the rate recorded for November 2014 and worse than the target of 7.6 days per person.

Since January 2015 there have been 381 Members of staff who have not had any sickness absence, an additional 338 who have had 5 days or less and 141 who have

taken less than 10 days. These figures are excluding retained staff whose sickness reporting is not entered into SAP.

The Chartered Institute of Personnel and Development (CIPD) Annual Absence Management Survey 2015 found that although overall absence levels have risen only marginally compared with last year, public sector absence has increased by almost a day.

Within Public Services the average days lost per employee range between 7.9 days to 10.4 days. The survey also found that the public sector is more likely than the private to rank stress, mental ill-health and musculoskeletal injuries among their top five causes of short- and long-term absence.

The Service is taking a best practice approach to reducing sickness absence which couples effective absence management with a focus on health promotion and employee well-being. Proactively supporting well-being can prevent people from going off sick, or deal with an issue before it becomes a real problem.

The approach includes the official go-live of the new agreed Attendance Management Policy and Procedure in January 2016, new monthly reports for Department Heads providing them with real time absence data, the signing of the Mind Blue Light Mental Health Pledge with a positive about mental health event held at Service Headquarters, Personal Wellbeing and Managing Mental Health at Work training which will continue through 2016, the launch of Trauma Risk Management (TRiM) training from February 2016 and numerous initiatives from the Service Fitness Team concerning exercise, nutrition and general wellbeing.

4d. Percentage of staff who received an appraisal in the past 12 months

M	YTD	4d Percentage of staff who received an appraisal in the past 12 months Performance against YTD target
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Completion rates for the end of year target review paper and Achievement First objective setting meetings have been monitored centrally. As of 30 November 2015 66.29% of planned achievements (looking forward 2015/16) had been completed this equates to 995 out of an expected 1501.

A full report providing members with a summary of the implementation of the Service's Achievement First Appraisal process to date and an update on the review of the process, agreed as part of the Action Plan responding to the Cultural review, is being presented at the Audit, Governance and Review Committee on the 20th January 2016.

This includes a recommendation, approved by SMB, on how to improve the quality and quantity of completed appraisals within a framework of performance management. Actions will include further Service-wide communications, further training for appraisers and appraisees to support imbedding of the process and a review of the Achievement First paperwork to simplify where possible.

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: Secondary Fire Analysis	
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



STRATEGIC DELIVERY BOARD MEETING

TITLE OF PAPER: Secondary Fire Analysis

Report by: Lucy Clayton

For: Information / Discussion

Purpose of Report

This report provides analysis into Secondary Fires occurring within Essex from September 2013 until August 2015

Recommendations

It is recommended that members of the Board

1. Note the contents of the Secondary Fire Analysis Report
2. Discuss the Contents of the Secondary Fire Analysis Report

Summary

August Major performance report noted that there has been an increase in incidents attended over the previous 12 months by 9.8% (or 389 incidents). Within this period secondary fires had increased by 293 incidents in comparison to the previous year.

For the purpose of this report we have analysed 2 years' worth of data covering the periods of September 13 – August 14 and September 14 – August 15.

Temporal Trend

During the months of September 14 to April 15 there was a decrease in secondary fires when compared to the previous year's data, by the end of April there was an overall reduction of Secondary Fires by 25 incidents or 2.97%.

Secondary Fires increased during the summer months of 2015 (May, June, July and August) with 318 fires more than the previous year, which equates to an increase of 39%.

Figure 1 shows a month by month summary.

More in-depth analysis was taken into the incidents occurring in the months of May, June, July and August.

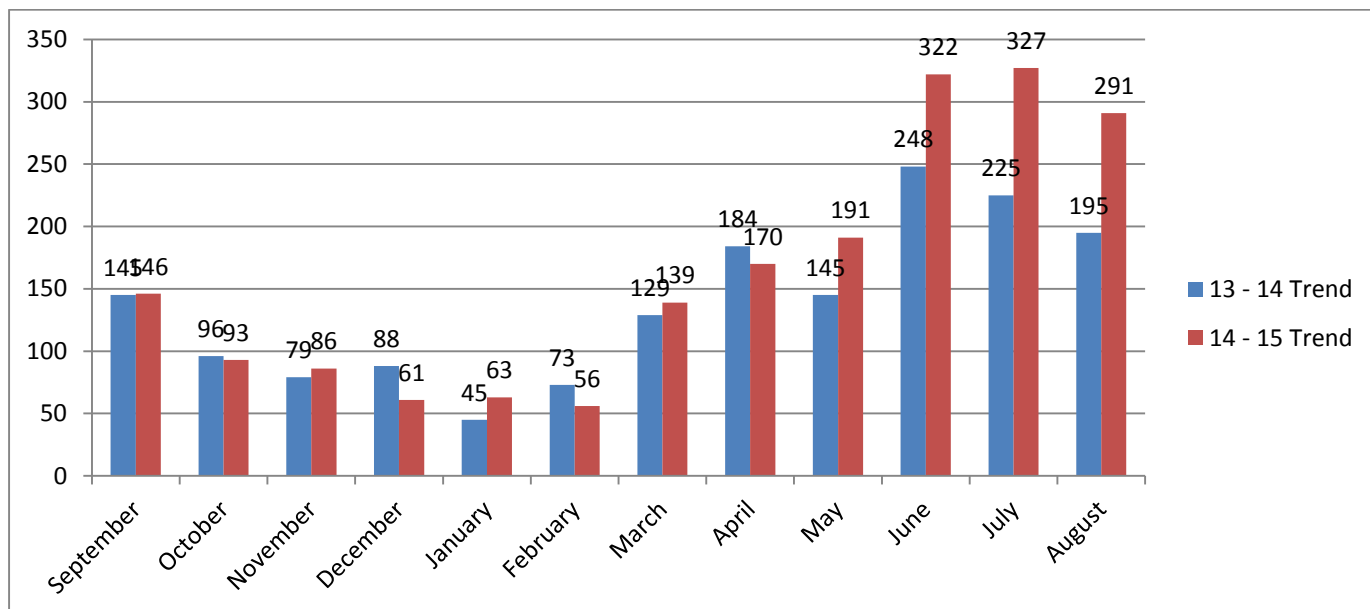


Figure 1 – Temporal Trend

May – August Analysis

Figure 2 demonstrates within this period Deliberate fires have increased by 156 (43.58%) and Accidental or Deliberate have increased by 68 (49.64%) compared to previous reporting period.

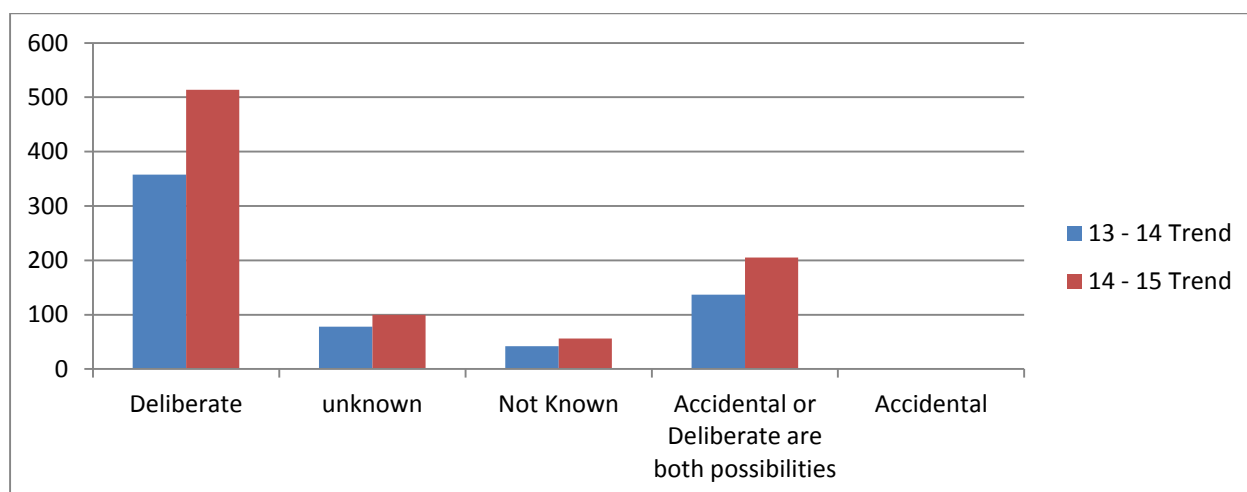


Figure 2 – Fire Cause

Fires – Fire in the open – small represent the majority of secondary fires in this period as highlighted in Figure 3. An additional 301 fires were attended to of this type in 2015, an increase of 43% from the previous year or 94% of the total increase in this period.

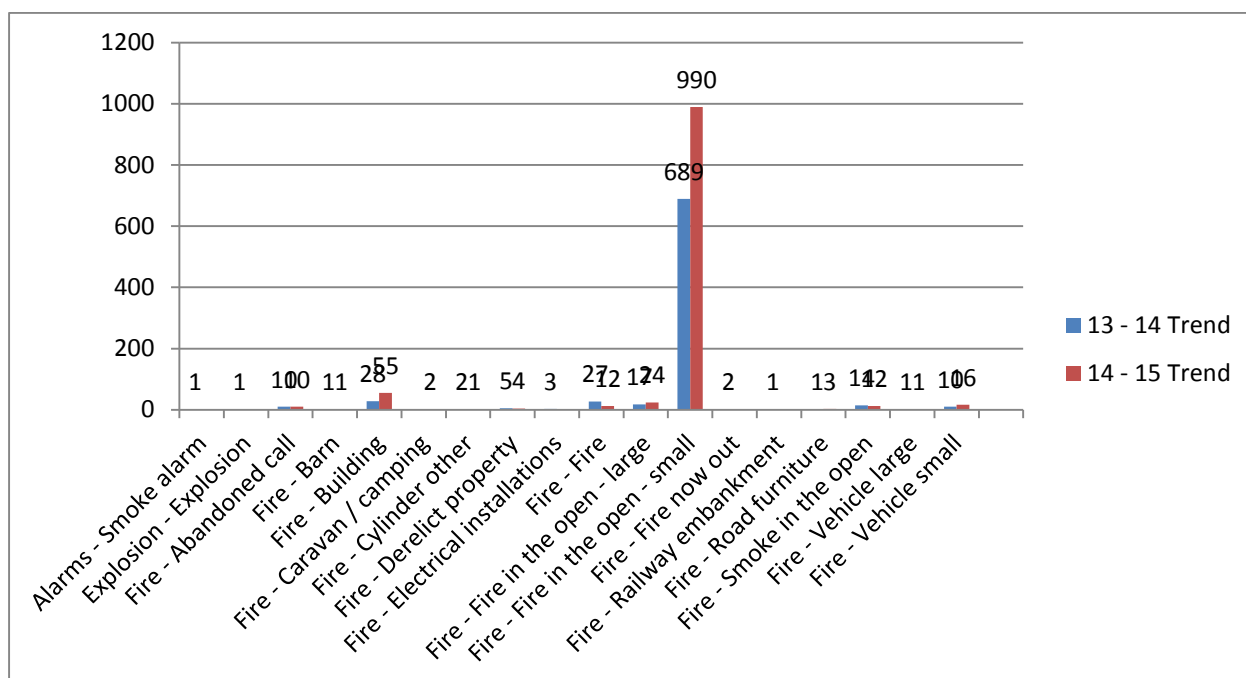


Figure 3 – Mobilisation Category

Locations related to small secondary fires are shown in Figure 4 by 2015 by station Ground. With Grays, Orsett, Basildon and Harlow Central recording the highest rates of incidents. Figure 5 shows incident hotspots

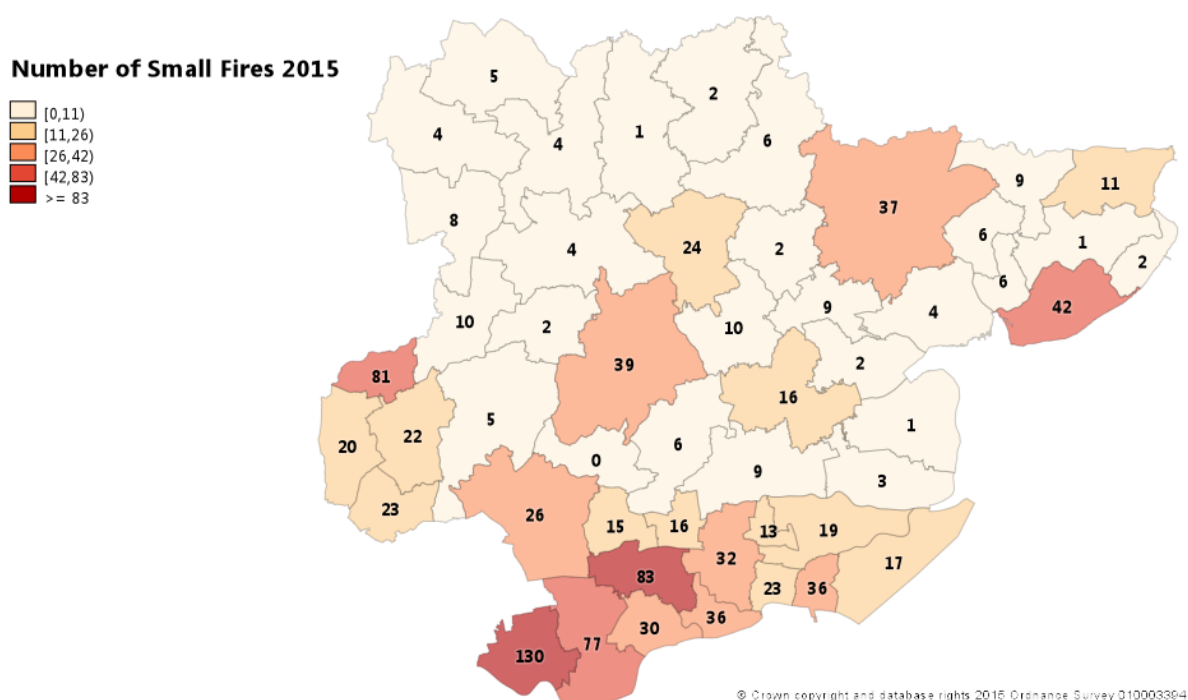


Figure 4 – Number of Incidents by Station Ground

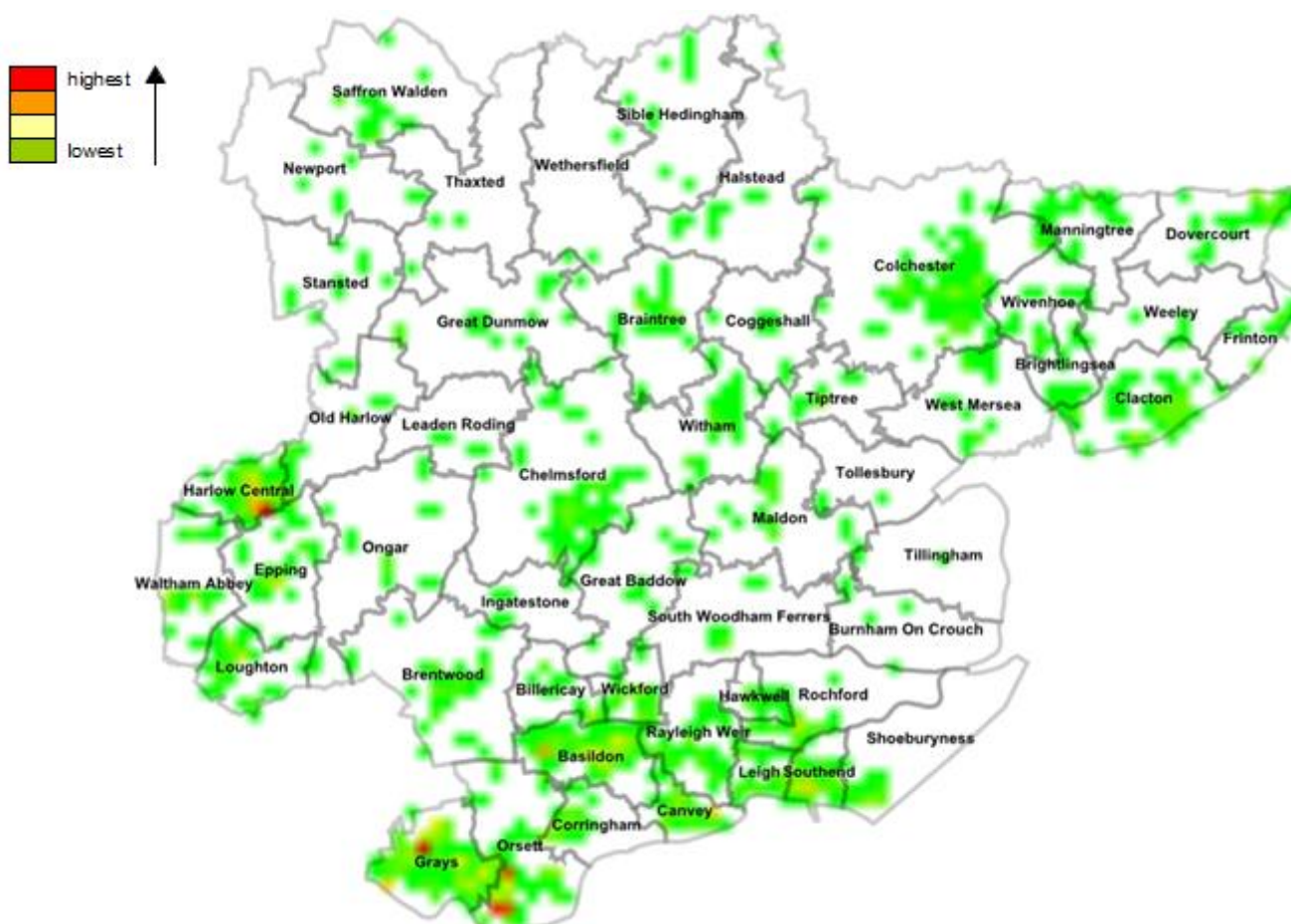


Figure 5 – Summer 2015 Incident Hot Spot

Financial, Legal, Health and Safety, Equality and Environmental Implications
 There are no significant implications from the content or purpose of this paper.

Further details and background information available from: lucy.clayton@essex-fire.gov.uk

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

AGENDA ITEM

**Audit, Governance and Review
Committee**

13

MEETING DATE

REPORT NUMBER

20 January 2016

EFA/020/16

SUBJECT

Health and Safety Annual Report 2014/15

REPORT BY

The Director of HR & OD, Lindsey Stafford-Scott

PRESENTED BY

The Director of HR & OD, Lindsey Stafford-Scott

SUMMARY

This report is to provide an update to members of the Essex Fire Authority regarding the Service's health and safety plans and performance for the year 2014/15.

RECOMMENDATIONS

Members of the Essex Fire Authority are asked to note the attached 2014/15 Health and Safety Annual Report (Appendix 1) providing challenge where appropriate.

BACKGROUND

Appendix 1 to this paper provides members of the Essex Fire Authority with a summary of the Service's health and safety plans and performance for 2014/15.

RISK MANAGEMENT IMPLICATIONS

Effective health and safety arrangements are a requirement under the Health and Safety at Work etc. (HSW) Act 1974, the Management of Health and Safety at Work Regulations 1999 and other relevant health and safety related legislation.

These arrangements serve to protect the Authority, employees and the community against risk of safety incidents occurring as a result of poor health and safety working practices. Failure to ensure effective arrangements may damage the Service's reputation.

There are no other Risk Management implications associated with the recommendations set out in this paper.

FINANCIAL IMPLICATIONS

Failure to ensure effective arrangements and compliance with relevant health and safety legislation could expose the Authority, in the event of a safety event, to prosecution under the HSW Act 1974. Defence costs would normally be an insured risk, however any fine (which may be sizeable) imposed following conviction will not be.

There are no other financial implications arising directly out of the recommendations set out in this paper.

LEGAL IMPLICATIONS

Failure to ensure effective arrangements and compliance with relevant health and safety legislation could expose the Authority, in the event of a safety event, to prosecution under the HSW Act 1974 in particular:

Potential personal liability upon Members and Officers (s.37 HSW Act, Corporate Manslaughter & Corporate Homicide Act, Common Law Manslaughter).

Moreover, personal injury claims may arise as a result of loss suffered by Health and Safety failures.

Potential employment claims relating to health and safety matters: including challenges from Trade Unions.

ENVIRONMENTAL IMPLICATIONS

The Fire Services Act 2004 defines “emergency” to include an event or situation that causes or is likely to cause serious harm to the environment (including the life and health of plants and animals).

The Service has a duty to protect the environment, (so far as is reasonably practicable) when carrying out its functions (including responding to emergencies) by virtue of sections 2 and 3 of the HSW Act.

The Service also has specific duties under health and safety regulations, including the Control of Substances Hazardous to Health Regulations 2002 (as amended), and in particular the requirement to carry out an assessment of the risks of their activities (including environmental risks) as required by the Management of Health and Safety at Work Regulations 1992.

There are no other environmental implications associated with the recommendations set out in this paper.

EQUALITY IMPLICATIONS

There are no equality implications associated with this paper.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper: 2014/15 Health & Safety Annual Report	
List of background documents (not attached):	
Proper Officer:	The Director of HR & OD, Lindsey Stafford-Scott
Contact Officer:	DO Danny Bruin, Health and Safety Manager Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: danny.bruin@essexfire.gov.uk



Health and Safety Annual Report 2014/2015



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Case Study – STAR (H&S Bulletin 157)

2014/15 Health and Safety Department Objectives Review

2015/16 Health and Safety Department Objectives



Executive Summary

This report provides an overview of the Service health, safety and welfare performance achievements for the period 1st April 2014 to 31st March 2015.

The report will be provided to members of Strategic Delivery Board (SDB), Strategic Management Board (SMB), Essex Fire Authority (EFA), and the Health, Safety and Welfare and Strategy Group (HSWSG). It will also be available electronically via the Service intranet.

The Service seeks continuous improvement in all aspects of safety, from promotion of a positive safety culture, identification and mitigation of risk and personal competence. The Service strives to make its employees and the county of Essex safer whilst delivering a wide range of essential services to the community.

Our performance is constantly monitored and measured against agreed standards to reveal where and when improvement is need.

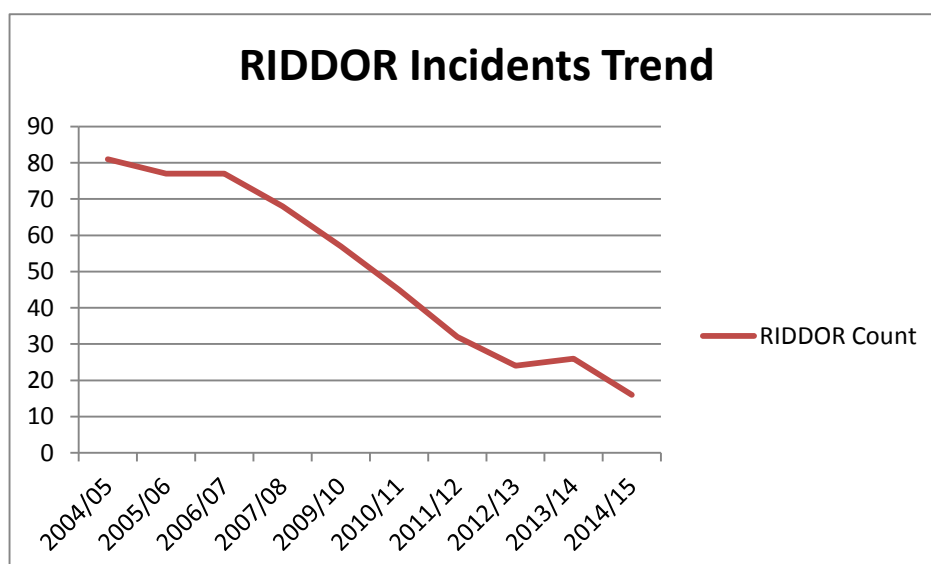
Active self-monitoring and reactive monitoring is carried out by the Health and Safety department to ensure that key risks and controlled, performance standards and risk assessments are actually used and monitored.

The continual monitoring of safety events on the Occupational Safety and Health Environmental Notification System (OSHENS) enable trends and issues to be identified and monitored with remedial actions taken swiftly and appropriately where required. There is feedback into the risk assessment system where past hazards and accidents are the driver for risk assessment reviews. The data obtained from this is used to inform risk assessment authors to influence risk assessments to provide both continuity and ensure that risks mitigated to as low as is reasonably practicable.

Over the last three years the Health and Safety department has seen a moderate decrease in reported safety events.

However, RIDDOR reportable incidents which generally are the highest risk fell by 33% on last year and 80% since 2005, which demonstrates that

the Services statement of intent is continually achieving its goals.



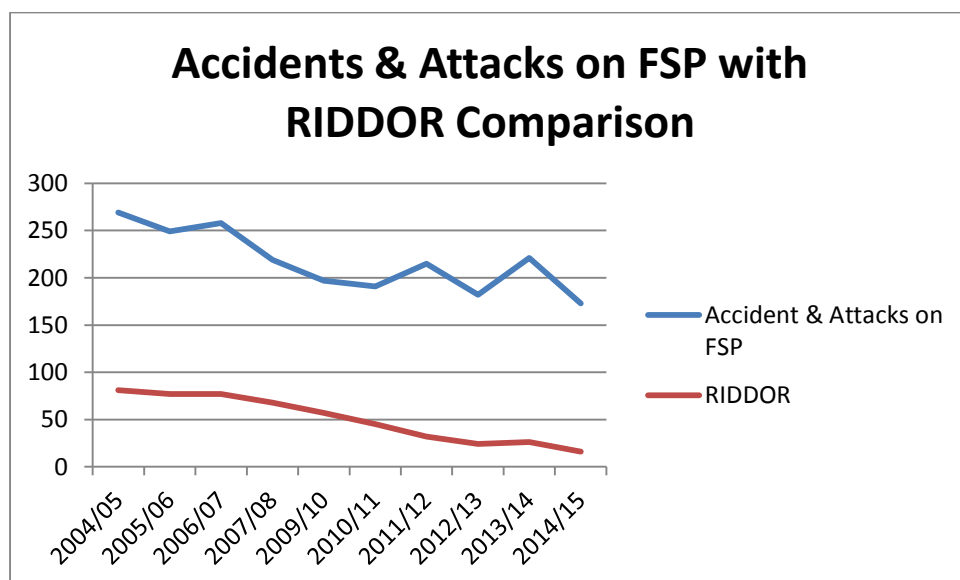
60% of RIDDOR incidents related to Dangerous Occurrences of which slips, trips and falls accounted for more than half of them.



OUR GOALS

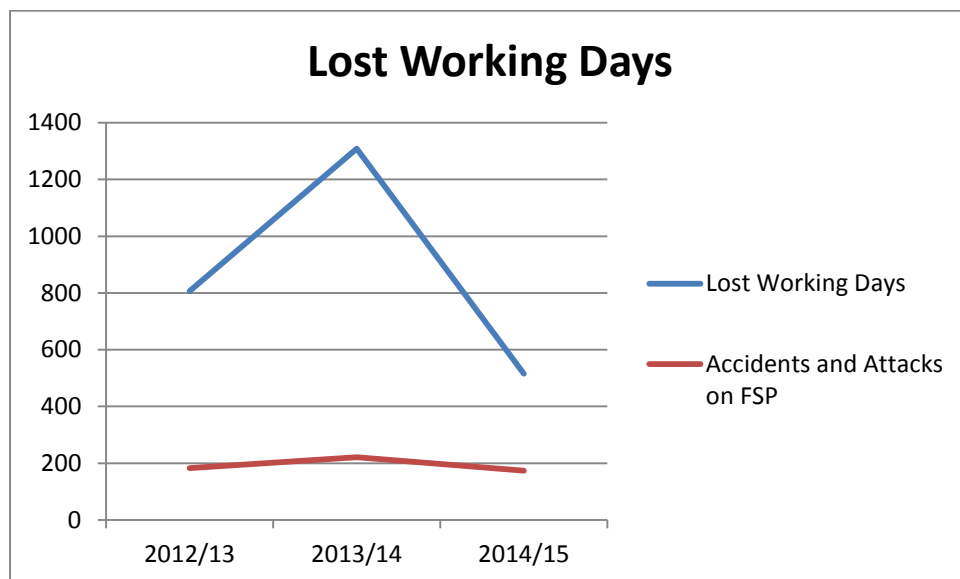
- Protect people, assets and the communities in which we work.
- Provide and maintain safe plant, equipment and safe systems of work.
- Apply best practice always and recognise that compliance with standards and legislation is a minimum level only that must be continually improved upon.
- Endeavour to control workplace hazards by assessing risks and establishing suitable control measures.
- Drive a system of open communication and a no-blame culture on safety that fosters strong employee and employer cooperation.
- Monitor and improve upon safety statistics and communicate lessons learnt and good practice throughout the organisation.

Minor accidents have also decreased by 22% on the previous year and 'attacks on Fire Service personnel' decreased by 50%.





The total number of lost working days from accident and attacks on Fire Service Personnel has decreased by 60% (a reduction of 794 days lost compared to the previous year).



OUR COMMITMENTS

- Assign health and safety risks the same priority as other critical Service activities.
- Provide a healthy working environment and appropriate facilities for the welfare of all staff.
- Provide a strong safety management framework that sets and reviews safety objectives and targets.
- Motivate and drive commitment of all employees by providing health and safety awareness training.
- Use, handle, store and transport of articles and substances safely.
- Provide an annual report on health and safety statistics and trends and continuously seek to improve upon performance.
- To ensure continual improvement, all ECFRS employees are reminded of their responsibility. Each individual has an obligation to take reasonable care of their own safety and the safety of others who may be affected by their activities.



Current Resourcing

The Essex Fire Authority Health and Safety Lead Member was Cllr Ann Holland until August 2014 when Cllr Peter Wrexham was appointed to the position. Their contribution to the Health, Safety and Welfare Strategy Group over the year is greatly appreciated.

The Health and Safety department continues to be led by the Health and Safety Manager a uniformed Divisional Officer, who during 2014/15 has taken an active role as a member of the Strategic Delivery Board to ensure that health and safety is integrated in to day to day business at all levels of the organisation.

During the period of 2014/15 there have been various changes within the department including a change of personnel in the Senior Advisor Role. It is the department's objective to look at staff retention and continuity of the team over the next 12 month period.

During the 2015/16 period there will be a greater emphasis on expanding the core skills of the health and safety team, which will see increased diversity in respect of the internal training currently on offer in-house. Increased and dedicated training shall be undertaken to ensure the health and safety team can develop internal training courses whilst exploring opportunities to use our expertise and knowledge to external partners for income generation for the Service where possible.



Without absolving the Essex Fire Authority Members or the Chief Fire Officer of their legal obligations as an employer, with regard to health and safety, the Chief Fire Officer assumes day-to-day responsibility for the discharge of the authority's legal obligations to health and safety.

Chief Fire Officer
Chief Executive

Responsible for reporting to the Senior Management Board on the status of the safety management systems. Responsible for allocating resources to the Health and Safety department.

Director of HR
& OD

The HSM has the responsibility for managing the activities (Strategic policy, planning and development) of each of the functions comprising of the Health and Safety department under the direction of the Director HR & OD. Designated 'Competent Person' in accordance with requirements under the Management of Health and Safety at work Regulations 1999.

Health & Safety
Manager
(HSM)

The Senior Health and Safety Advisor is responsible for the day to day management of the Health and Safety Advisors, supports the HSM in design and implementation of policies and procedures. Advises Service management on health and safety legislation/policy and deputises for the HSM.

Senior Health
& Safety
Advisor

Risk
Assessment
Advisor

The Risk Assessment Advisor assists the HSM in the planning, development and implementation of Service health and safety policies, and is responsible for the management of the service risk assessment systems and procedures.

The Health and Safety Administration Assistant is responsible for managing the safety event electronic reporting system. Reviewing and monitoring progress of all accident investigation documentation as well as General Health and Safety department administration.

Health & Safety
Advisor (West)

Health & Safety
Advisor (East)

Health and
Safety Admin
Assistant

The Health and Safety Advisors (West and East) have functional and geographical responsibility to support station managers. Advise Service management on health and safety legislation/policy change and implementation. Have technical expertise to support the Service in achieving safety goals.



2014/15 Department Achievements

In 2014/15 the Health and Safety department completed a number of achievements summarised below:

- A joint Health and Safety and Property Services department review for assessing contractors was carried out. This review was requested by the Significant Accident Investigation Board that was formed as a result of a release of asbestos at Leigh on Sea fire station. The report highlighted that there are three main processes in use that establish the competency of contractors, one which provides instruction and a process for audit and review. It was found that they provide a framework that is in keeping with current legislation and guidance. There was a number of notable good practices and then a list of 14 recommendations for improvement. Five joint recommendations were listed within the report and are being worked through to implementation stage.
- As part of the Workforce Transformation Programme and the Canvey Island Serious Accident Investigation Board, a review of the Technical Activities, Skills and Knowledge recording system (TASK) was carried out. This system is used to record Firefighter's operational training and one of the aims of the review was to ensure the content of TASK is realistic, achievable and relevant. The outcome is a new Firefighter Phase 3 TASK programme for 2014/15 that focuses on core skills and risk critical activities and, for the first time, includes a section on Station Local Risks. The Health and Safety section has been expanded to ensure that all personnel understand their own responsibilities for health and safety in the workplace. This will be further strengthened by the rollout of a Service-wide programme to deliver health and safety training relevant to their role for all personnel. This section has been produced in full collaboration with the Health and Safety department and Trade Union Safety Representatives.
- In April 2014 a letter was sent to the HSE following on from their visit to provide assurance that the Services Management of Operational Training was robust which included an overview of the TASK completion levels for the year end in April 2014. Also provided was an update of ongoing progress related to TASK, including changes made to TASK recording for 2014/15 and our future plans for 2015/16 onwards. The HSE were very satisfied with the progress and confirmed no further updates were necessary.
- At the HSWSG on 5th March 2015 it was agreed that there would be a merger between the HSWSG and the HSWCC meeting groups. The Health and Safety department carried out a review of the past agendas for the Health, Safety and Welfare Consultative Committee and it was noted that the items being raised had significantly reduced.



This is due to improved working relationships with the Trade Union Safety Representatives and health and safety issues raised being dealt with at the local Area Health, Safety and Welfare Forums or the Health, Safety and Welfare Functional Forum.



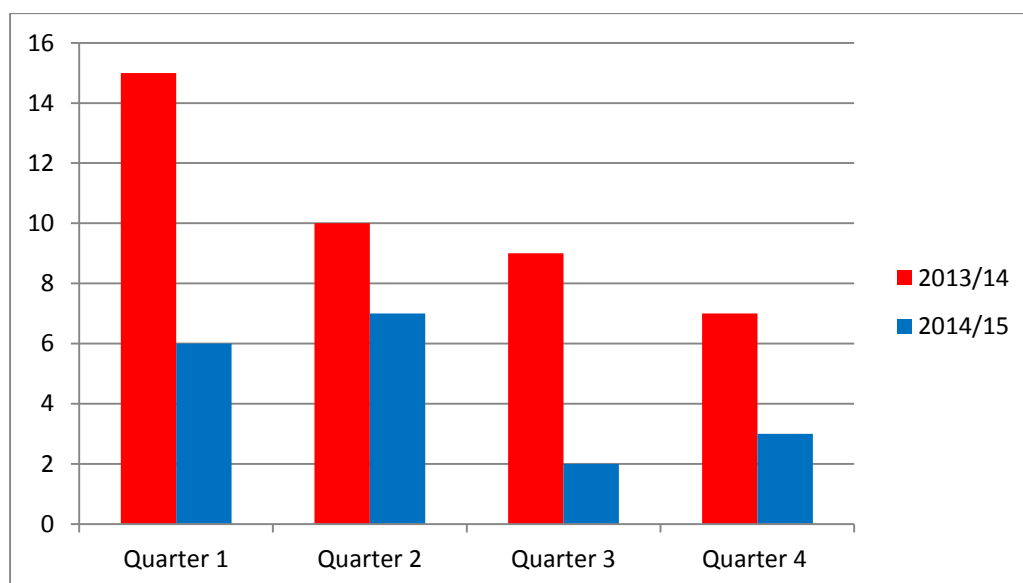
Case Study: Slips, Trips and Falls Report

In early January 2014 the Health and Safety department issued a report reflecting on reported slip, trips and falls data captured over a five year period.

The report identified key areas for improvement across the service and instigated initiatives to raise awareness to the dangers of slips, trips and falls and their underlying causation.

The poster demonstrates one of the communication methods used to promulgate the risks associated with slip, trip and fall hazards.

During 2013/14 there was 41 slip, trip and falls reported incidents and during 2014/15 this had been reduced by more than half.



The resulting 51% decrease displayed in the 2014/15 reported incidents are testimony to the Health and Safety departments' commitment and focus on delivering awareness education throughout the Service.

Looking forward the Health and Safety department will continue to initiate and promote safety campaigns which will cover a broader range of health and safety topics during 2015/16.



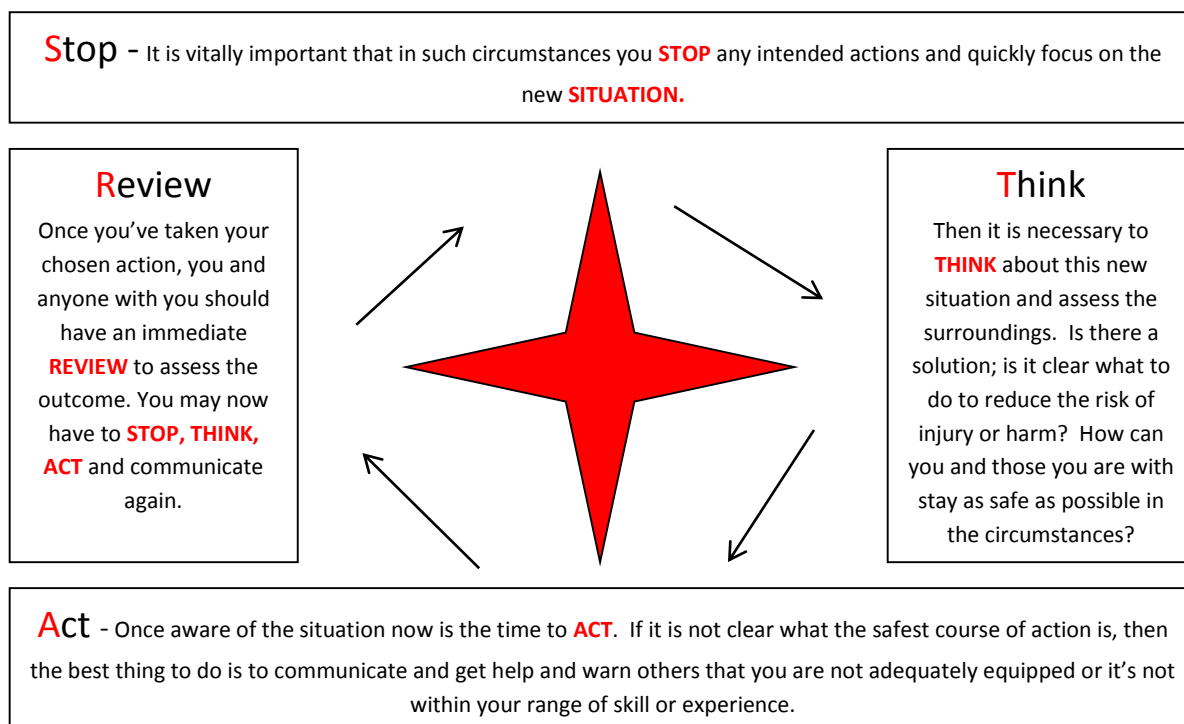
Case study: The “STAR” individual risk assessment/individual decision making model.

This particular model has been adapted into the Service since April 2014. Although originally designed for operational Firefighters this helpful STAR model can be adapted and utilised by all staff within the Service.

Operational incidents are generally dealt with by firefighters working under the direct supervision of their line managers in line with incident command protocols. However, there may be occasions when firefighters are required to work remotely and make decisions for themselves. The Incident Commanders risk assessment alone will not be able to take account of all eventualities an individual may encounter in this situation.

Firefighters may need to make informed judgements regarding their safety whilst working remote from direct supervision. To support this, an individual decision making model has been published in the Health, Safety and Welfare Framework for the Operational Environment.

ECFRS have adopted the individual decision making model below. All firefighters can now use this when working remotely and there is a need for DECISION MAKING, particularly where there is little time in which to react. This will assist in the identification of hazards and assessment of risk in order to inform and influence the risk taking behaviour and action to take.



The “STAR” individual risk assessment/individual decision making model forms one of the four pillars of operational risk assessment:

- **PILLAR ONE** - Generic hazard and risk statements
- **PILLAR TWO** - Strategic risk assessment
- **PILLAR THREE** - Dynamic/incident risk assessment
- **PILLAR FOUR** - Individual risk assessment



2014/15 Health and Safety Department Objectives Review

Each year a health, safety and welfare strategy and action plan is produced. This document identifies and sets out the strategic direction of the Health and Safety department over the coming year. The health and safety departmental objectives for the year 2014/15 were as follows:

- **Demonstrate measurable improvement in audit and benchmarking scores**

There has been continual improvement of health and safety management system. We can also highlight the closure of the RoSPA Peer Audit Action Plan. On the 15 December 2010 a report was presented to the Audit, Governance & Review Committee setting out the background and methodology of the ROSPA QSA process. The recommendations were translated into an action plan which was monitored quarterly by the AGR Committee until it was closed at the AGR Committee on 16th July 2014.

- **Improved risk assessment processes and timeframe for completion**

We have a robust risk assessment system that remains in place and all identified significant high risk activities are addressed through OSHENS within timescale. In February 2015 the Health and Safety departments Risk Assessment Advisor delivered OSHENS Risk Assessment training to 15 Trade Union Health and Safety Representatives and two Health and Safety Advisors. Positive feedback was received following the Risk Assessment training day with all delegates taking part stating they felt more confident in using the OSHENS risk assessment module.

- **Increased safety event (Hazard) reporting and 360 feedback for defects reported following quarterly inspections**

Relevant hazards identified and recorded on OSHENS and corrective action implemented and carried out. In April 2014 the first of the Health and Safety departments' safety poster campaign was launched with the first poster relating to Hazard reporting.

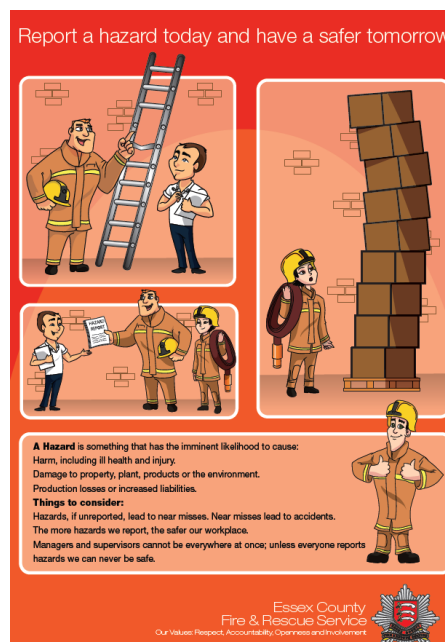
Looking at the Hazard reporting data for 2014/15 there has been a 2% increase on the previous year.

- **Ensure 100% of accident investigations are carried out within the Terms of reference timeframe**

All accident investigations conducted in a timely manner so that accident boards can act promptly and action plans can be implemented without undue delay.

Terms of reference deadlines adhered to. On 16th June 2014 at the Health, Safety and Welfare Strategy group it was communicated that all Historical outstanding Accident Investigation action points have now been closed.

This was through joint working with the Trade Union Health and Safety Representatives and the Health and Safety department.





- **Provide efficient safety event data reporting and monitoring system**

To ensure we provide an efficient safety data reporting system the Health and Safety department created an OSHENS survey which was sent out Service wide via Parade news on 18th April 2014. The survey received 88 responses out of 1600 employees which represents a 5.5% return.

34 additional comments related to their experience of interacting with OSHENS and many suggested improvements. The most positive responses found within the survey were those associated with the incident reporting module where 50% found the system easy to report safety events and 46.8% knew how to get technical support if required. 59% of the respondents also understood that reporting safety events was important to the organisation.



- **Increase staff retention**

Recruitment campaigns to attract suitable candidates and successful applicants want to stay with the Service. To reduce staff turnover by 20% each year for the next three years. All staff qualified as per job description and person specification.



2015/16 Health and Safety Department Objectives

Each year a health, safety and welfare strategy and action plan is produced. This document identifies and sets out the strategic direction of the Health and Safety department over the coming year.

The Health and Safety departmental objectives for the coming year are:

- To carry out all Accident Investigation within Terms of Reference timeframe on 100% of occasions.
- To review the current Accident Investigation process, identify and train accident investigators by 31st March 2016.
- To carry out a review of the CCTV Policy and Privacy Impact assessments by 31st March 2016.
- Incorporate vehicle accident reporting and investigation within OSHENS by 31st March 2016.
- Review of Welfare Facilities and Disability access for all Service Premises by 31st March 2016.
- To deliver Manual Handling training and Working Safely to 100% of all firefighters by 31st March 2016 in line with the Health and Safety department Training Plan.



For further information please contact:

Danny Bruin CMIOSH OSHCR - Health and Safety Manager
Health and Safety department

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Doing more than we have ever done to make Essex safer

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

14

MEETING DATE

20 January 2016

REPORT NUMBER

EFA/021/16

SUBJECT

Achievement First Appraisal Process

REPORT BY

Lindsey Stafford-Scott, Director of HR and OD

PRESENTED BY

Lindsey Stafford-Scott, Director of HR and OD

SUMMARY

This report provides members with a summary of the implementation of the Service's Achievement First Appraisal process to date and an update on the review of the process agreed as part of the Action Plan responding to the Cultural review.. This review has been considered by SMB and recommendation one approved as set out in the body of the report.

RECOMMENDATIONS

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

BACKGROUND

Achievement First

An appraisal scheme for the Service was introduced across the organisation as part of the Workforce Transformation Programme in April 2014. Prior to this, there was no formal performance management process used consistently across the organisation.

The scheme is called Achievement First and follows a traditional cycle whereby objectives are set during April, reviewed at the mid-point in October and annually in March, with new objectives set again in April.

The policy statement for Achievement First sets the purpose as *'to ensure that all of our people will have regular, structured feedback about their performance, development needs and aspirations'*. It confirms the objectives as being to:

- Maximise individual and Service performance;
- Reinforce the Service's values and desired behaviours;
- Recognise good performance; and
- Set objectives for the year ahead.

The comprehensive policy and accompanying toolkit provides clear guidance on how to manage and take part in the process. This is supported by an eLearning package and skills based training sessions, as well as step-by-step visual graphics on how to complete the forms.

Achievement First was launched with a series of briefings and training for managers and whilst there was some resistance to what was seen by some as additional work for managers, a return of 87% was received for the initial cycle of objective ('planned achievement') setting. Although, the service had set a target of achieving a 90% return rate in recognition of the importance it places on performance management.

Competency Framework

As part of the Workforce Transformation Programme a Competency Framework was developed through a series of engagement events with a wide representation of staff across all duty systems both uniformed and non-uniformed. The Competency Framework describes the behaviours the Service values, building from the core values of openness, accountability, respect and involvement. There are nine competencies 'clustered' into three areas – Inspire, Engage and Aspire. Each competency is split into four levels with both positive and negative indicators.

The competency framework is not only used for the Achievement First process, but is integrated into learning and development, recruitment and career development. For 2015 completion as part of Achievement first is optional, although the plan is that it will be mandatory from 2016 onwards. The aim of the competencies is to place an emphasis on the importance of behaviours and 'how' work is approached and undertaken.

Current Situation

March 2015 was the first annual review for objectives set during April 2014. The expectation of Service Managers was that they would meet with their staff to complete the review process and set new planned achievements and submit both of these.

Unfortunately at the time of reporting, the return rate has dropped significantly with end of year completed review forms at 59.27% and planned achievements at 67.29%

The current process which requires the completion of electronic forms can be time consuming and often leads to the situation whereby Appraisal meetings have been held but the paperwork has not been completed and submitted. An eHRM system which provides an online appraisal process could address this issue and is being considered currently.

Feedback from managers on the reasons for the low return rate includes:

- I haven't had time, I'm too busy with the day job;
- I talk to my staff every day, I don't need to meet with them separately;
- If there was more flexibility with timescales for setting and reviewing that would help – if you have a lot of officers under your command no sooner have you completed an appraisal then you are mid-term reviewing it;
- They may suit the promotion process but not the firefighter or officer who wishes to remain in post, as they become repetitive in their commentary every year – so does this achieve enough?;
- Too much for the second line manager to do – so they have a lot of forms to go through; and
- I've held the meetings but still need to type up the paperwork.

Cultural Review

The Cultural Review identified (para no. 147) that the *'introduction of appraisals into the service is a significant step forward and it is acknowledged that this has not been an easy process. However, the focus on the number of appraisals completed over the training of appraisers and appraisees and analysis of quality needs revisiting'*. Initial training was carried out for all managers as part of the launch and quality checks were undertaken as part of the monitoring of the first round, which resulted in further e-learning and training sessions. However, it is acknowledged that training for appraisees could also have been beneficial.

The cultural review also references achievement first in other areas, recognising that the resistance from the FBU to the competency framework has impacted *'the opportunity for a systematic system of well-embedded and high quality staff appraisal to identify future managers, refocus the organisation on strategic priorities and address low morale'*

Recommendation 30 states *'set clear and consistent expectations that annual appraisals need to be completed by all managers across the service and introduce an audit to ensure that the quality of the appraisal meetings and paperwork is actually delivering a satisfying process which will take the service forward.'*

External View

It is not uncommon for organisations to receive negative feedback on their appraisal processes. Personnel Today in an article published on 11 August 2015 summarises that *'appraisals are renowned for stirring up strong opinions. Critics condemn them as a tick-box exercise and waste of time, while supporters commend regular performance discussions for helping employees to achieve goals and move the business forward.'*

A LinkedIn article from November 2013, stated that their research had found that 70% of all organisations dislike the performance appraisal process they have and that less than 30% of organisations feel that their existing processes drive any level of performance.

Increasing numbers of organisations like Accenture and Deloitte have dropped the formal appraisal process altogether. However, it should be noted that in general, these are progressive, private sector organisations with established performance management cultures and whilst the annual appraisal process has been stopped, there is still a requirement and strong emphasis on regular, documented discussions.

Good performance management should be regular (preferably documented monthly), proactive discussions on progress, achievements, support required. Any annual appraisal and associated review then becomes an extension of the regular discussions which should be dealing with objectives set anyway.

Some organisations that are choosing to retain a process are building in more flexibility to recognise that goals that are set annually are likely to change and many are putting the emphasis back on recognition and removing any kind of rating.

There is also a move to team based objective setting rather than individual appraisals.

The Service's scheme does not include a rating and has an emphasis on development and valuing people. However, as highlighted in the cultural review, whilst it is an improvement on the lack of formal arrangements previously, if it was part of a more holistic performance management culture, i.e. where regular one to ones, team meetings, stand-ups etc. were the norm, then the prospect of seeing the benefits would be more likely to increase the take up as well as the value to the organisation. If a more integrated performance management culture was prevalent, this could also lead to the organisation being able to consider removal of a formal appraisal process.

The options considered by the Strategic Management Board re given below. Option one is the preferred option at this time. It is recognised that regardless of the option, training for managers and their direct reports will be required to successfully embed a performance management culture into the organisation.

No	Description	Implications/Notes	Recommendation
1	Continue with current arrangements and Cycle (with improvements suggested in Implications/notes column)	<ul style="list-style-type: none"> Reasonably established process that can still evolve with organisational change e.g. management review and expectations/requirements of manager with associated training A communication strategy would help support increase in quality and quantity of returns Training for appraisers and appraisees to support continued embedding. It is also recommended that the paperwork is reviewed and simplified with clear signposting if additional forms are required for training etc. Confirm process for 'dip sampling' percentage of returns for quality checking including how this will be measured, used and fed back. The management review provides an opportunity to strengthen the expectations that the organisation has on managers and to provide the relevant training and support to embed a more holistic performance management culture 	It is recommended that this option is taken forward.

		<ul style="list-style-type: none"> Consider option of team based objectives for 'career firefighters' who do not want to progress. An eHRM system which enables online completion would support an improvement in current process 	
2	Remove requirement for annual appraisals	<ul style="list-style-type: none"> Performance management within the organisation is not mature enough to support this option If selected there would need to be clear guidance, training and monitoring of performance management being undertaken e.g. monthly/quarterly one to ones/team meetings that dealt with performance management and captured the conversations. 	This option is not recommended
3	Current process but with revised 'cycle' so that appraisals are spread throughout the year and not all required to be done within one/two months	<ul style="list-style-type: none"> This was part of some of the feedback from managers. However, given that in effect, we have allowed returns throughout the year as we have continued to request those not returned in April and they have continued to filter through. This feedback is somewhat contradictory. As in (1) above, if the annual appraisal was more of an extension of regular performance management conversations, this would not seem such an issue for managers. Performance management should be an integral (not separate) part of all managers roles. Whilst some managers may consider that this option would allow them more time to complete the process, it would require greater HR resource to set up and administer to ensure that expected return dates for each manager are captured, monitored and reported on. An eHRM system which enables online completion would support an improvement in current process 	This option is not recommended
4	Continue with process and make it mandatory requirement for managers linked to their performance and increment (i.e. withhold an increment if not carried out)	<ul style="list-style-type: none"> If enforced this option could potentially increase returns However, on its own, this reinforces a 'command and control' culture making it a compliance rather than supportive, developmental, performance management approach If (1) above is adopted it would be more positive to make it a 'requirement' as part of any managers role via the management review with training, 	This option is not recommended

		coaching and an integrated performance management approach. <ul style="list-style-type: none"> An eHRM system which enables online completion would support an improvement in current process 	
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RISK MANAGEMENT IMPLICATIONS

The Fire Authority has accepted all 35 recommendations within the Cultural review Report. Failure to adequately respond to these recommendations would be inconsistent to that decision and could impact on the trust and confidence of stakeholders.

Cultural Review recommendation 30 states *'set clear and consistent expectations that annual appraisals need to be completed by all managers across the service and introduce an audit to ensure that the quality of the appraisal meetings and paperwork is actually delivering a satisfying process which will take the service forward.'*

FINANCIAL IMPLICATIONS

The costs of an eHRM system to support improvement would be subject to a costed business case and further financial approval.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

EQUALITY IMPLICATIONS

There are no equality implications arising from this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
List of background documents (not attached): ECFRS Achievement First Appraisal Policy ECFRS Competency Framework Cultural Review	
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