Public Document Pack

NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY - POLICY & STRATEGY COMMITTEE

Date: Friday, 25 April 2014 **Time:** 10.00 am

Venue: Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD

Members are requested to attend the above meeting to be held at the time, place and date mentioned to transact the following business

Clerk to the Nottinghamshire and City of Nottingham Fire and Rescue Authority

AGENDA		**Pages**
1	**APOLOGIES FOR ABSENCE**	
2	**DECLARATIONS OF INTERESTS**	
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4	**EXTERNAL AUDIT PLAN 2013/2014** Report of the Chief Fire Officer	7 - 34
5	**REVIEW OF INDEMNITIES FOR MEMBERS AND OFFICERS** Report of the Chief Fire Officer	35 - 42
6	**CONSULTATION ON REDUCTIONS IN THE OPERATIONAL FLEET** Report of the Chief Fire Officer	To Follow
7	**PRINCES TRUST UPDATE** Report of the Chief Fire Officer	To Follow
8	**RETAINED FIRE FIGHTERS PENSION SETTLEMENT** Report of the Chief Fire Officer	43 - 46

9	**EXCLUSION OF THE PUBLIC** TO CONSIDER EXCLUDING THE PUBLIC FROM THE MEETING DURING CONSIDERATION OF THE REMAINING ITEM(S) IN ACCORDANCE WITH SECTION 100A(4) OF THE LOCAL GOVERNMENT ACT 1972 ON THE BASIS THAT, HAVING REGARD TO ALL THE CIRCUMSTANCES, THE PUBLIC INTEREST IN MAINTAINING THE EXEMPTION OUTWEIGHS THE PUBLIC INTEREST IN DISCLOSING THE INFORMATION	
10	**EXEMPT MINUTES** Last meeting held on 31 January 2014 (for confirmation)	47 - 48
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ANY COUNCILLOR WHO IS UNABLE TO ATTEND THE MEETING AND WISHES TO SUBMIT APOLOGIES SHOULD DO SO VIA THE PERSONAL ASSISTANT TO THE CHIEF FIRE OFFICER AT FIRE SERVICES HEADQUARTERS ON 0115 967 0880

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ABOVE, PLEASE CONTACT THE CONSTITUTIONAL SERVICES OFFICER SHOWN ON THIS AGENDA, IF POSSIBLE BEFORE THE DAY OF THE MEETING.

Constitutional Services Officer: *Carol M Jackson*
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http://committee.nottinghamcity.gov.uk

NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY - POLICY & STRATEGY COMMITTEE

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 31 January 2014 from 10.04 am - 12.10 pm

	Councillor Darrell Pulk	(Chair)
^	Councillor Jon Collins	
	Councillor Brian Grocock	
	Councillor Chris Barnfather	
^	Councillor Michael Payne	
	Councillor Gordon Wheeler	
	Councillor Malcolm Wood	(as substitute for Councillor Jon Collins)
	Councillor John Wilmott	(as substitute for Councillor Michael Payne)

Members absent are marked ^

21 APOLOGIES FOR ABSENCE

Councillor Jon Collins.
Councillor Michael Payne.

22 DECLARATIONS OF INTERESTS

With the exception of the Chief Fire Officer, the other Principal Officers present declared an interest in agenda item 5, Review of Indemnities for Members and Officers, and left the room during consideration of this item.

23 MINUTES

The Committee confirmed the minutes of the meeting held on 1 November 2013 as a correct record and they were signed by the Chair.

24 REVIEW OF INDEMNITIES FOR MEMBERS AND OFFICERS

Frank Swann, the Chief Fire Officer presented his report recommending a review of the current arrangements regarding indemnities for Members and Officers. The current policy was drafted in 2005 and has only been applied once. Questions have now arisen in relation to the Policy and it is thought that further clarification would be beneficial to provide clarity.

RESOLVED to task the Service's Risk Manager with undertaking a review of the current policy and bring a report to the next meeting of this Committee on 25 April 2014.

With the exception of the Chief Fire Officer, the Principal Officers left the meeting prior to consideration of the next item.

25 PRINCIPAL OFFICER PAY REVIEW

Peter Hurford, the Treasurer, presented the joint report of himself and the Clerk to the Fire and Rescue Authority setting out options regarding the methodology applied to the review of Principal Officer pay. The Treasurer also explained to Members that they had the option of being bound by the outcome or utilising it as guidance.

Following discussion, Members agreed that the fairest comparator was the Family Group, a relatively large group made up of 18 services sharing factors such as population size, deprivation, risk area and total fire calls. If the median average were to be applied this would be comparable with the current Chief Fire Officer salary in Nottinghamshire Fire and Rescue Service from January 2014. On this basis, this could be considered as a fair comparator group as a guide for setting salary levels for Principal Officers in the future.

RESOLVED

(1) to give consideration to the median average of the Family Group when determining Principal Officer salary levels;

(2) to retain the current bi-annual timing of the review;

(3) not to use external consultants to benchmark salary data.

26 EXCLUSION OF THE PUBLIC

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda items in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A to the Act.

The Chair then adjourned the meeting pending the arrival of the Clerk to the Fire and Rescue Authority as his input was required in relation to the exempt items (10.55 am). The Clerk arrived and the Meeting reconvened at 11.12 am.

27 EXEMPT MINUTES

The Committee confirmed the exempt minutes of the meeting held on 1 November 2013 as a correct record and they were signed by the Chair.

28 LOSS OF PROTECTED PENSION AGE

The Chief Fire Officer presented his report on the loss of protected pension age and the effect of it in certain circumstances.

RESOLVED to approve the recommendations in the report subject to the amendments agreed by the Committee, as recorded in a separate exempt minute.

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Policy and Strategy Committee

EXTERNAL AUDIT PLAN 2013/2014

Report of the Chief Fire Officer

Date: 25 April 2014

Purpose of Report:

To inform Members of the plan to be implemented by the External Auditors for their audit of the accounts for the 2013/2014 financial year.

CONTACT OFFICER

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1. BACKGROUND

1.1 The Fire Authority is required by statute to be audited by external auditors who as Members will be aware are KPMG.

1.2 This report sets out their plans for carrying out this statutory audit and some of the risks that they have identified upon which they will be seeking the reassurance of officers.

1.2 A representative from KPMG will attend the meeting to both introduce this item and answer any questions from Members.

2. REPORT

2.1 The report is attached in full as appendix A to this report and therefore no specific details are included here. The report is a fully comprehensive plan which sets out the work to be carried out and the timelines for reporting.

2.2 As in previous years the Auditors have considered any risks associated with the closure of the accounts and have raised the issue of the triennial actuarial valuation of the Local Government Pension Scheme in so far as this valuation relies to a great extent upon data provided by NFRS. Management have no reason to believe that this is anything but accurate but nevertheless accept that it is a risk that the auditors would wish to consider.

2.3 John Cornett remains the Director for the Audit although the Manager and Assistant Manager have both been changed since last year.

3. FINANCIAL IMPLICATIONS

The majority of the External Auditors work is directed towards the financial statements and financial stability of the organisation and so in this respect the financial implications are significant. Beyond this the audit fees for 2013/2014 will be £41,400. This is the same fee as in 2012/2013 and is included within the revenue budget.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no implications for Human Resources or Learning and Development arising from this report.

5. EQUALITIES IMPLICATIONS

There are no implications for equalities arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

There are no implications for crime and disorder arising from this report.

7. LEGAL IMPLICATIONS

The only legal implication relating to this report is the need to comply with various statutes.

8. RISK MANAGEMENT IMPLICATIONS

External Audit provide an assurance both to Elected Members and the general public as to the financial health and compliance of the Authority. This provides a significant overall risk control measure.

9. RECOMMENDATIONS

That Members note the contents of this report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
CHIEF FIRE OFFICER

KPMG

cutting through complexity™

External Audit Plan 2013/14

Nottinghamshire and City of Nottingham Fire and Rescue Authority

March 2014

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.audit-commission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, **the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448330.**

Introduction

This document describes how we will deliver our audit work for Nottinghamshire and City of Nottingham Fire and Rescue Authority.

Scope of this report

This document supplements our *Audit Fee Letter 2013/14* presented to you in April 2013. It describes how we will deliver our financial statements audit work for Nottinghamshire and City of Nottingham Fire and Rescue Authority 'the Authority'. It also sets out our approach to Value for Money (VFM) work for 2013/14.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an ongoing process and the assessment and fees in this plan will be kept under review and updated if necessary.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement):* providing an opinion on your accounts; and
- *use of resources:* concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

Structure of this report

This report is structured as follows:

- **Section 2** describes the approach we take for the audit of the financial statements.
- **Section 3** provides further detail on the financial statements audit risks.
- **Section 4** explains our approach to VFM work and sets out our initial risk assessment for the VFM conclusion.
- **Section 5** provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Audit approach	Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Deputy Treasurer. Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.
Key financial statements audit risks	We have completed our initial risk assessment for the financial statements audit and have identified the following significant risk: ■ Risk 1 – LGPS Triennial Valuation. There is a risk that data provided to the actuary for this exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts; This risk and our proposed response is described in more detail on page 10. We will assess the Authority's progress in addressing this risk area as part of our interim work and conclude this work at year end.
Audit team, deliverables, timeline and fees	We have refreshed our audit team this year. John Cornett remains the Director, whilst Edmund Harris becomes your Audit Manager, and Peter Wilson becomes the Assistant Manager. Our main year end audit visit is provisionally planned to commence on 21 July 2014. Upon conclusion of our work we will again present our findings to you in our *Report to Those Charged with Governance (ISA 260 Report)*. The planned fee for the 2013/14 audit is £41,400. This is unchanged from the position set out in our *Audit Fee Letter 2013/14*.

Our Audit Approach

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We undertake our work on your financial statements in four key stages during 2014:

- **Planning (March)**
- **Control Evaluation (August)**
- **Substantive Procedures (August).**
- **Completion (September).**

We have summarised the four key stages of our financial statements audit process for you below:

	Stage	Activity	Mar	Apr	May	Jun	Jul	Aug	Sep
1	Planning	Update our business understanding and risk assessment.	○						
		Assess the organisational control environment.	○						
		Determine our audit strategy and plan the audit approach.	○						
		Issue our *Accounts Audit Protocol*.	○						
2	Control Evaluation	Evaluate and test selected controls over key financial systems.						○	
		Review the Internal Audit function.						○	
		Review the accounts production process.						○	
		Review progress on critical accounting matters.						○	
3	Substantive Procedures	Plan and perform substantive audit procedures.						○	
		Conclude on critical accounting matters.						○	
		Identify audit adjustments.						○	
		Review the Annual Governance Statement.						○	
4	Completion	Declare our independence and objectivity.							○
		Obtain management representations.							○
		Report matters of governance interest.							○
		Form our audit opinion.							○

Our Audit Approach – Planning

During March 2014 we complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

Following completion of our planning work, we will issue our *Accounts Audit Protocol,* specifying what evidence we expect from the Authority to support the financial statements.

Our planning work takes place in March 2014. This involves the following aspects:

Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

Business understanding and risk assessment

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team on an on-going basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level, and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your Internal Auditors also informs our risk assessment.

Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

In accordance with ISA 320 '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Accounts Audit Protocol

At the end of our planning work we will issue our *Accounts Audit Protocol*. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our audit visits.

Our Audit Approach – Control Evaluation

During July 2014 we will complete our control evaluation audit work.

We assess if controls over key financial systems were effective during 2013/14.

We work with your finance team to maintain the efficiency of the accounts audit.

We will report any significant findings arising from our work to the Audit Committee.

Our onsite audit visit will be completed during August 2014. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage.

Our Audit Approach – Substantive Procedures

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During July 2014 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report* to the Audit Committee in September 2014.

Our final accounts visit on site has been provisionally scheduled for the period 4th August to 15th August 2014. During this time we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the Assistant Chief Officer, prior to reporting to Those Charged With Governance in September 2014.

Audit adjustments

During our on site work, we will meet with the Assistant Chief Officer on a regular basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our onsite work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to Those Charged With Governance. We also report any material misstatements which have been corrected, and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue in September 2014.

Our Audit Approach – Other

In addition to the financial statements, we also audit the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 15.

Use of off-shore audit resources

During our audit work we may make use of our KPMG Global Services (KGS Audit) team in India to undertake certain basic audit tasks and functions. Use of this 'off-shore' team is one of many initiatives we employ to deliver a cost-effective audit service for our clients. Although based in India, the KGS Audit team works closely with our local audit teams to undertake certain audit procedures remotely. We have provided our UK teams with guidance on the types of audit procedures and other tasks that it is suitable and permissible to use KGS Audit for - we do not use KGS Audit for any audit procedures that involve access to personal, confidential or sensitive information. Audit tasks are then allocated by our UK-based engagement teams to dedicated teams in India, allowing local staff to control what work KGS Audit undertakes and what information is accessed. They operate to our same quality standards and all work undertaken by KGS Audit is reviewed by the UK team.

The KGS Audit team operates in a paperless environment and we apply robust processes to control how data is accessed and used:

- All work is conducted electronically;
- All data files are maintained on servers in the UK with restricted access and only viewed on screen in India. These servers are governed by established KPMG IT controls;
- Policy and technology restrictions are in place to protect data, for example locked down USB ports, no external emailing, no printing;
- KGS Audit staff are based in an office with restricted access and security; and
- The team members adhere to global KPMG ethics and independence standards, along with requirements governing the non-disclosure of client information.

Our Audit Approach – Independence

Our independence and objectivity responsibilities under the Code are summarised in Appendix 1.

We confirm our audit team's independence and objectivity is not impaired.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define "those charged with governance" as "those persons entrusted with the supervision, control and direction of an entity". In your case this is the Fire Authority.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, which in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

Confirmation statement

We confirm that as of March 2014 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Key Financial Statements Audit Risks

In this section we set out our assessment of the significant risks to the audit of the Authority's financial statements for 2013/14.

For each key risk area we have outlined the impact on our audit plan.

The table below sets out the significant risks we have identified through our planning work that are specific to the audit of the Authority's financial statements for 2013/14.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

Key Audit Risks	Impact On Audit
Pensions valuations - LGPS and fire fighters **Audit areas affected** ▪ Pensions Liability ▪ Actuarial gains or losses	**Risk** During the year, the Local Government Pension Scheme for Nottinghamshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the LGPS (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The LGPS pensions' figures to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate ,and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council (NCC) who administer the Pension Fund. In addition to LGPS pensions' figures, the Authority must also account for its fire fighters pensions transactions. These transactions are typically large in value, and are estimates with an inherently high degree of uncertainty. They therefore represent a significant risk **Our audit work** We will consider the impact of the triennial valuation on the pension liability at 31 March 2014. We will liaise with actuarial experts and with the auditor of the Nottinghamshire Pension Fund to gain assurance over the liability. NCC may seek to recharge any additional costs arising from this work. We will also liaise with Mercer who provide the information to support the fire fighters' pensions transactions, and review the resulting material figures in the accounts.

Other Audit Risks And Issues

In this section we have identified several areas which, whilst not being risks for a specific item of account, represent more general issues that we have taken into account in developing our plan.

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for fire authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

VFM Audit Approach

Our approach to VFM work follows guidance provided by the Audit Commission.

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Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- Plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- Carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

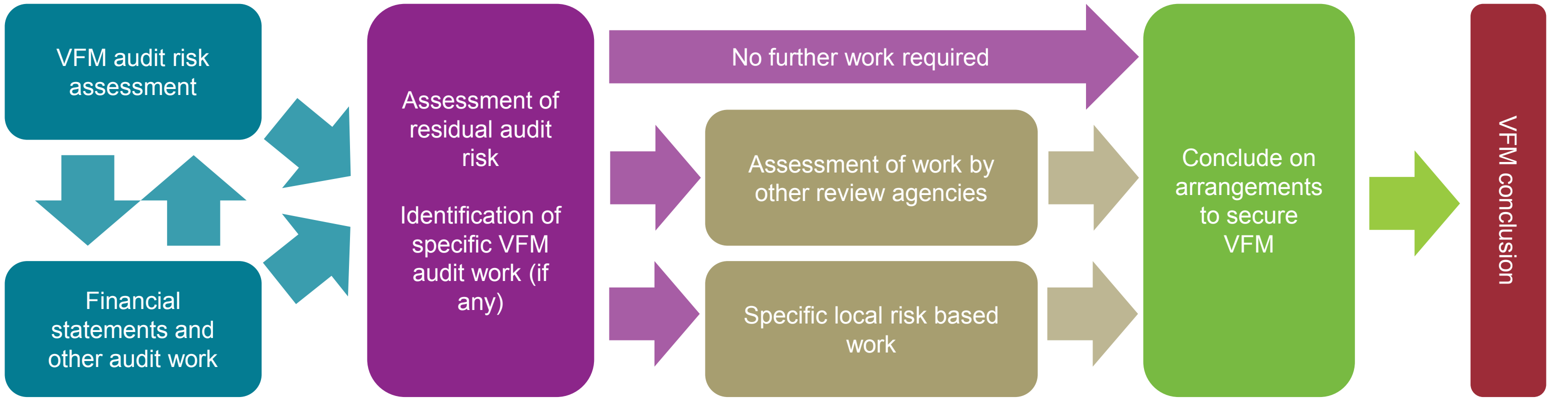
Specified Criteria For VFM Conclusion	Focus Of The Criteria	Sub-Sections
The organisation has proper arrangements in place for securing **financial resilience**.	The organisation has robust systems and processes to: ▪ Manage effectively financial risks and opportunities; and ▪ Secure a stable financial position that enables it to continue to operate for the foreseeable future.	▪ Financial governance ▪ Financial planning ▪ Financial control
The organisation has proper arrangements for challenging how it **secures economy, efficiency and effectiveness**.	The organisation is prioritising its resources within tighter budgets, for example by: ▪ Achieving cost reductions; and ▪ Improving efficiency and productivity.	▪ Prioritising resources ▪ Improving efficiency and productivity

VFM Audit Approach (Continued)

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM Audit Stage	Audit Approach
VFM Audit Risk Assessment	We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*. In doing so we consider: ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Audit Commission's VFM profile tool and financial ratios tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.

VFM Audit Approach (Continued)

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM Audit Stage	Audit Approach
Linkages With Financial Statements And Other Audit Work	There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities. We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.
Assessment Of Residual Audit Risk	It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria. Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics. To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion. At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.
Identification Of Specific VFM Audit Work	If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including: ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

VFM Audit Approach (Continued)

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM Audit Stage	Audit Approach
Delivery Of Local Risk Based Work	Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as: ■ Local savings review guides based on selected previous Audit Commission national studies; and ■ Update briefings for previous Audit Commission studies. The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.
Concluding On VFM Arrangements	At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.
Reporting	We will report on the results of the VFM audit through our *ISA 260 Report*. This will summarise any specific matters arising, and the basis for our overall conclusion. The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Audit Team

Your audit team has been drawn from our specialist public sector assurance department. Your audit team has been refreshed since last year. John Cornett remains the Director, whilst Edmund Harris becomes your Audit Manager, and Peter Wilson becomes the Assistant Manager.

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.

John Cornett

Director

"My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Fire Authority and Chief Officers. "

Edmund Harris

Manager

"I provide quality assurance for the audit work and specifically any technical accounting and risk areas.

I will work closely with John to ensure that we add value.

I will liaise with the Assistant Chief Officer and other Executive Directors."

Peter Wilson

Assistant Manager

"I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants."

Audit Deliverables

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree as appropriate each report with the Authority's officers prior to publication.

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Deliverable	Purpose	Committee Dates
Planning		
External Audit Plan	■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures.	March 2014
Control Evaluation And Substantive Procedures		
Report to Those Charged with Governance (ISA 260 Report)	■ Details control and process issues. ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the Authority's value for money arrangements.	September 2014
Completion		
Auditor's Report	■ Provides an opinion on your accounts (including the Annual Governance Statement). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2014
Annual Audit Letter	■ Summarises the outcomes and the key issues arising from our audit work for the year.	November 2014

Audit Timeline

We will be in continuous dialogue with you throughout the audit.

Key formal interactions with the Audit Committee are:

- March

  External Audit Plan

- September

  ISA 260 Report

- November

  Annual Audit Letter

We work with the finance team throughout the year.

Our main work on site will be our:

- August

  Accounts audit.

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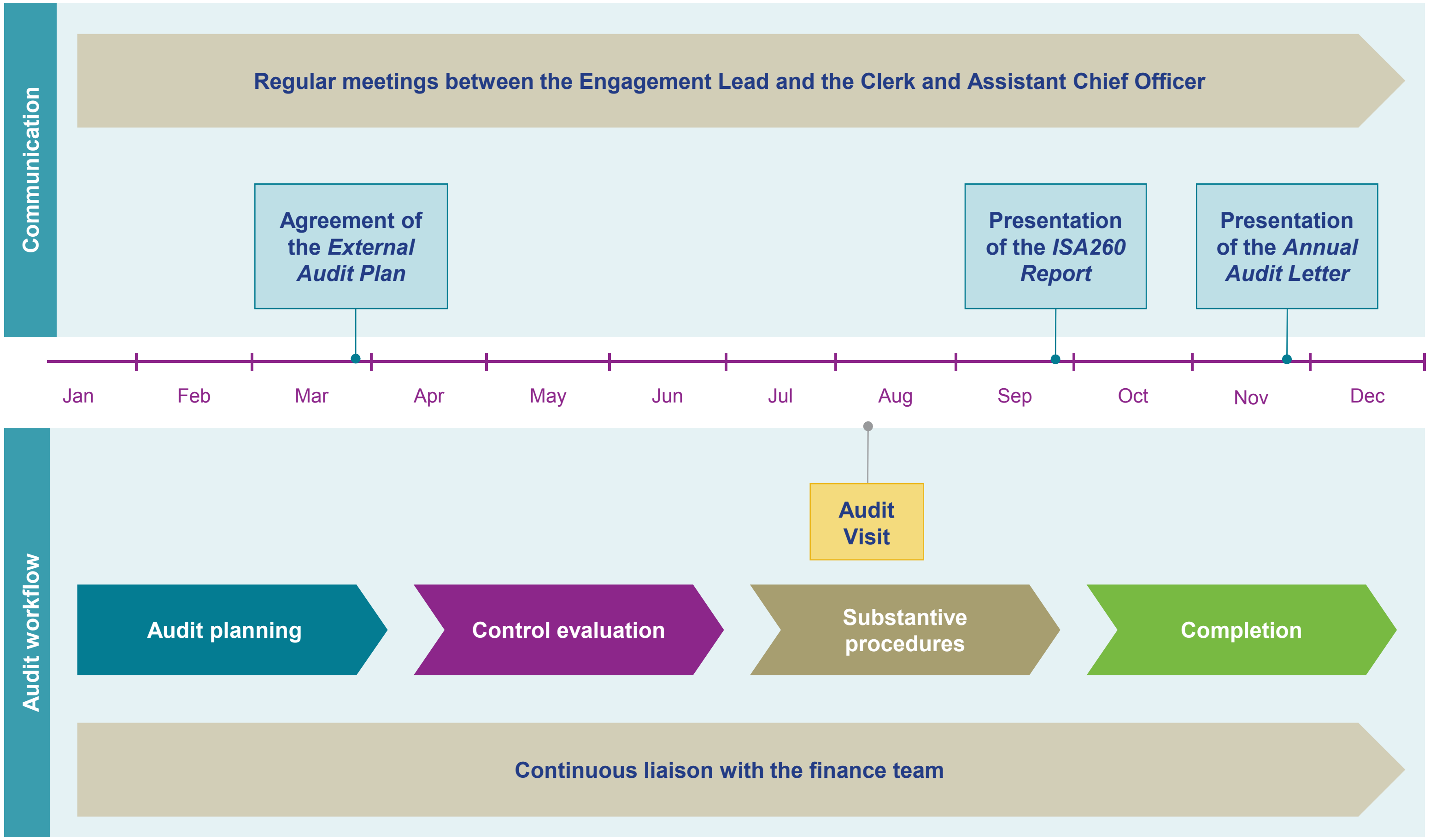

Key: ● Audit Committee meetings.

Audit Fee

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The fee for the 2013/14 audit of the Authority is £41,400. The fee has not changed from that set out in our *Audit Fee Letter 2013/14* issued in April 2013.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2013/14* presented to you in April 2013 first set out our fees for the 2013/14 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

The planned audit fee for 2013/14 is £41,400, the same fee as for 2012/13.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- The level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2012/13;
- You will inform us of any significant developments impacting on our audit;
- You will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2013/14* within your 2013/14 financial statements;
- You will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - The financial statements are made available for audit in line with the agreed timescales;
  - Good quality working papers and records will be provided at the start of the final accounts audit;
  - Prompt responses will be provided to queries and draft reports;
  - Requested information will be provided within the agreed timescales;
- Internal audit meets appropriate professional standards;
- Internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- Additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas. The Authority successfully achieved this in 2012/13.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- New significant audit risks emerge;
- Additional work is required of us by the Audit Commission or other regulators; and
- Additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Treasurer and Audit Committee.

Appendix 1: Independence And Objectivity Requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- Carry out their work with independence and objectivity;
- Exercise their professional judgement and act independently of both the Commission and the audited body;
- Maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- Resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

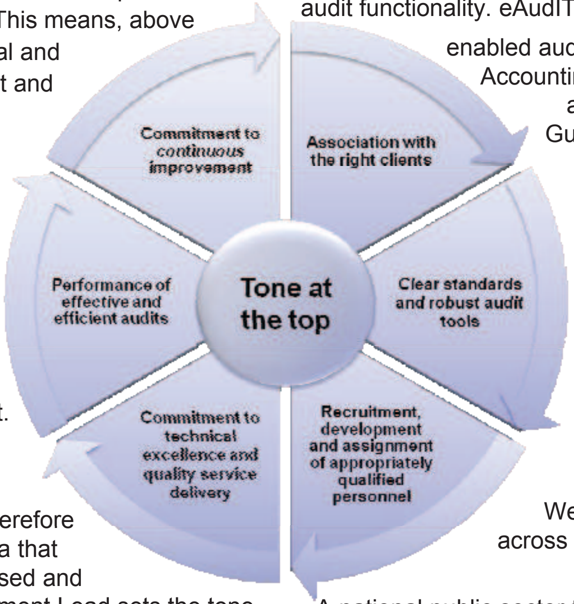
KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.



Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. John Cornett as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- to- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- Timely Engagement Lead and manager involvement;
- Critical assessment of audit evidence;
- Exercise of professional judgment and professional scepticism;
- Ongoing mentoring and on the job coaching, supervision and review;
- Appropriately supported and documented conclusions;
- If relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- Clear reporting of significant findings;
- Insightful, open and honest two-way communication with those charged with governance; and
- Client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality).

The latest Annual Regulatory Compliance and Quality Report (issued June 2013) showed that we performed highly against the Audit Commission's criteria. We were one of only two firms to receive a combined audit quality and regulatory compliance rating of green for 2012/13.

cutting through complexity™

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Policy and Strategy Committee

REVIEW OF INDEMNITIES FOR MEMBERS AND OFFICERS

Report of the Chief Fire Officer

Date: 25 April 2014

Purpose of Report:

To present the Committee with a report on the suitability of the current Indemnities to Members and Officers Policy, and provide recommendations for enhancing the robustness of that policy.

CONTACT OFFICER

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Media Enquiries Contact :	Bridget Aherne (0115) 967 0880 bridget.aherne@notts-fire.gov.uk

1. BACKGROUND

1.1 Members of the Policy and Strategy Committee requested at the 31 January 2014 meeting that the Business Risk Manager prepare a report for this meeting concerning the Indemnities to Members and Officers Policy (the policy).

1.2 The current version of the policy was drafted to mirror the Local Authorities (Indemnities for Member and Officers) Order 2004. The requirement for a review of this policy was highlighted when it was invoked, for the first time, as a result of a threat of litigation against an Officer. Now that the policy has been invoked, and the threat of litigation has passed, it is appropriate to address learning points from the experience.

1.3 The seeking of an indemnity by a Member or Officer is rare, primarily because this will normally (although not exclusively) mean that the Member or Officer stands accused of some form of wrongdoing. Despite this low probability the impact, both financial and reputational, can be significant. As any such allegation against a Member or Officer is likely to result from their connection with the activities of the Authority it is probable that action against an individual will run parallel to a liability on the Authority.

1.4 This report provides a brief overview of the suitability of the current policy, and makes recommendations as to how it may be enhanced in order to make it more robust for the future. This report adopts a process-based approach to the revision of the policy.

2. REPORT

2.1 The recent reliance on the policy raised questions around whether or not an indemnity should be granted and if so, to what extent the indemnity should extend. In addition, the conduct of the defence, and insurance coverage under the Authority's Officials Indemnity insurance (the insurance) were questioned.

2.2 As a result of the Committee's request for this report, the Business Risk Manager has met with Browne Jacobson solicitors, who drafted the original policy. Having now had the benefit of experiencing the application of the policy, both parties agreed that while in its current form it is not necessarily unfit for purpose (as it mirrors the 2004 Order), there are a series of reasonable and desirable changes and clarifications that could be made that would provide a greater degree of certainty for both the Authority and the individual seeking the indemnity.

2.3 Discussions with Browne Jacobson highlighted an important consideration to be borne in mind while revising the policy: that is the impact on the individual seeking the indemnity of both the claim made against them, the process for determining whether an indemnity will or will not be granted, and the actual decisions made within that process. While this is not the only consideration, any revisions to the policy will be made with recognition of the impact this may have on the individual concerned.

2.4 The granting of an indemnity is in the gift of the Authority. As noted in the previous report, the Authority could, as a matter of policy, decide that it will offer an indemnity in all cases where it is legally permitted to do so; it could also refuse to issue an indemnity in all cases, even though it may legally be permitted to provide the indemnity in some circumstances. In addition to these two options, the Authority could decide to consider each and every request for an indemnity on its merits. The general principle of an indemnity policy should be that both Members and Officers should be able to presume that an indemnity will be granted.

2.5 There are risks associated with each of the above options. In the case of offering an indemnity in all cases, this could encourage Members and Officers to act recklessly, or result in a situation where the Authority is obliged to offer an indemnity even though it finds it morally or ethically unacceptable to do so. A blanket refusal to offer an indemnity may result in Members and Officers refusing to make decisions for fear of personal liability and will inevitably lead to a drop in morale. While considering each case on its merits may, at face value, appear a suitable option it will, in practice, merely result in Members and Officers being uncertain as to the level of support the Service is willing to commit to.

2.6 It is therefore proposed that the Authority adopts a hybrid scale of these three options. Browne Jacobson have suggested that the Authority could decide to offer an indemnity at any point up to accusations of negligence, and conversely refuse to offer an indemnity from the point of recklessness through to allegations where it is not legally permitted to indemnify the individual. Around the tipping point between the offer and refusal of an indemnity, it is further suggested that a discretionary band is introduced whereby the Authority can consider the nature of the allegations, and the facts to hand before deciding whether to grant the indemnity. Further work on developing this scale will be necessary, so at this point in time, Members are recommended to agree to the principle of a scale of indemnity as outlined here and to task the Business Risk Manager with providing a draft scale at the Committee's August 2014 meeting.

2.7 By introducing a discretionary element, there is a need to establish a process for making those decisions. There is also a need to consider representations from Members or Officers who may not be entitled to an indemnity under the proposed scale, but who feel that the allegations made against them are without sufficient merit or, are unlikely to be successful. Members are therefore recommended to agree to the establishment of a decision-making panel, a scheme of delegation for authority to grant an indemnity, and a process for appeals, and ask the Business Risk Manager to develop proposals to bring back to the Committee's August 2014 meeting.

2.8 Just as it is within the gift of the Authority to offer an indemnity, the Authority also has the ability to impose conditions on any indemnity granted. These conditions can include the ability to exercise 'step-in rights' where the

Authority or their insurers assume conduct of the claim, setting a financial limit of the indemnity, communication and information sharing, or the offer or acceptance of settlements. Some of these conditions can be applied generally to all offers of indemnity, while others will be appropriate to specific allegations and circumstances. It is recommended that the following general conditions are adopted:

- The Member or Officer makes a full disclosure of the allegations made against them and provides contact details for any legal representation already, or subsequently appointed;
- The Authority retains the right to withdraw the indemnity at any time that information comes to light which, had it been known at the outset, would have caused the Authority to refuse to provide an indemnity;
- The right for the Authority and/or its insurers to assume conduct of the claim (step-in rights) at any time, and the need for the Member or Officer to cooperate with the Authority and/or insurer in the subsequent handling of the claim;
- Limit the indemnity to a sum, usually £5m (being the limit of the Authority's Officials Indemnity insurance), but which may be varied depending on the individual circumstances of the allegations;
- Provide regular updates on the progress of negotiations and correspondence with the claimant;
- Notify the Authority of the withdrawal, or addition of any allegations;
- Gain the written agreement of the Authority before proposing or accepting any settlement;
- The right of the Authority to recover any costs associated with the claim if the outcome of the claim is one for which the Authority would not have granted an indemnity in the first instance;
- That the indemnity may be withdrawn should the Member or Officer do anything likely to prejudice the outcome of the claim.

Specific conditions may include a lowering of the limit of indemnity, immediate exercising of step-in rights, or the selection of legal representation.

2.9 Where the Authority and/or its insurers exercise step-in rights, it is recommended that the Business Risk Manager be charged with the day-to-day management of the claim.

2.10 Any offer of an indemnity to a Member or Officer must be made in writing and outline both the general conditions and any specific conditions attaching to the granting of that indemnity. For avoidance of any doubt, the Member or Officer seeking the indemnity should be required to sign and return a copy of the indemnity offer. It is recommended that Members ask the Business Risk

Manager to draft a standard offer of indemnity letter by the August 2014 meeting of this Committee.

2.11 Where the Authority grants an indemnity it can seek to transfer the financial risk to insurers. Anecdotal evidence from the insurance industry is that only around 20% of claims made under the Officials Indemnity policy are honoured. This highlights the extent of the exclusions applied by insurers and Members are asked to note that this could result in a situation where the Authority is unable to reclaim all or any of the costs associated with the provision of an indemnity. Members are therefore recommended to request that the Head of Finance and Resources makes adequate contingency arrangements in the event of the insurance not wholly covering the costs of the indemnity. Members are also recommended to agree that where an indemnity is granted, a report on the conduct of the claim and the potential financial liability are provided to the Finance and Resources Committee.

3. FINANCIAL IMPLICATIONS

3.1 A situation may arise where the granting of an indemnity by the Authority will not be covered by insurers. This will necessitate the provision of an adequate financial contingency based on the risk.

3.2 There will also be some financial implications arising from the engagement of lawyers to provide legal advice on a proposed policy. This will be met from the budget allocated for legal advice.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

4.1 Claims made against Members and Officers can result in physical and/or mental health issues arising from the potential personal financial losses that may be sustained, the defending of the action in question and the relationship with the Authority and colleagues depending on the granting of the indemnity, and may include others affected by the action indirectly. Such issues may necessitate the provision of support from the Occupational Health team.

4.2 Depending on the nature of the allegations made and whether they are subsequently accepted as true or proven, there may be a need to invoke the Authority’s disciplinary process.

4.3 Should the Authority and/or its insurers exercise step-in rights, this may result in a need to draw employees away from their normal duties in order to assist with investigations and/or the management of the case.

5. EQUALITIES IMPLICATIONS

There are no specific equalities implications arising from this report.

6. RISK MANAGEMENT IMPLICATIONS

The existence of a situation where a Member or Officer is alleged to be personally liable for a situation is indicative of a failure of the Authority to effectively manage the risks to which it is exposed. The subsequent litigation process itself gives rise to significant financial and reputational risk.

7. CRIME AND DISORDER IMPLICATIONS

The outcome of a claim against a Member or Officer may result in the discovery of criminal activity which the Authority may be obliged to report to the relevant authority.

8. LEGAL IMPLICATIONS

The decision of whether or not to grant an indemnity may be the subject of legal challenge. Unless the Authority is subject to parallel litigation there is a possibility that the Authority may become vicariously liable for the individual liability of the Member or Officer.

9. RECOMMENDATIONS

It is recommended that Members:

9.1 Agree to the adoption of a scale of indemnity and requests that the Business Risk Manager provide a draft.

9.2 Agree to the establishment of a decision-making panel for the granting of indemnities and tasks the Business Risk Manager with developing a proposal for this panel alongside a complimentary scheme of delegation for authority and appeals process.

9.3 Agree to adopt the general conditions applying to indemnities as outlined in Paragraph 2.8 of the report.

9.4 Task the Business Risk Manager with the day-to-day management of any claim where an indemnity has been requested and/or granted.

9.5 Task the Business Risk Manager with drafting a standard indemnity offer letter.

9.6 Task the Head of Finance and Resources with ensuring adequate financial contingency for indemnity costs and reporting to the Finance and resources Committee on the potential financial liability of indemnities provided

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
CHIEF FIRE OFFICER

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Policy and Strategy Committee

RETAINED FIRE FIGHTERS PENSION SETTLEMENT

Report of the Chief Fire Officer

Date: 25 April 2014

Purpose of Report:

To present the Committee with a report on the settlement of the long running issue in relation to retained fire fighters' admission to the fire fighters pension scheme.

CONTACT OFFICER

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Media Enquiries Contact :	Bridget Aherne (0115) 967 0880 bridget.aherne@notts-fire.gov.uk

1. BACKGROUND

1.1 Members may be aware that since 2006 retained fire fighters have been able to join the new fire fighters pension scheme. Prior to this however, retained duty system (RDS) staff were unable to join the 1992 scheme as entry was restricted to wholetime staff only.

1.2 Following a series of legal challenges a settlement has been reached which has resulted in the laying of Statutory Instrument 2015 No. 445 The Fire Fighters' Pension Scheme (England) (Amendment) Order 2014, which sets out the terms under which RDS personnel may retrospectively access the 1992 scheme.

1.3 This paper sets out for Members the impact of this Order on the Fire Authority.

2. REPORT

2.1 The Part-Time Workers (Prevention of Less Favourable Treatment) Regulations which were introduced in 2000 called into question the exclusion of RDS staff from the fire fighters pension scheme. Various arguments were put forward as to why RDS staff were or indeed were not part time workers, which eventually resulted in a determination that they are in fact part time workers for the purposes of the above Act.

2.2 As a result, The Fire Fighters' Pension Scheme (England) (Amendment) Order 2014 was laid before Parliament on 6 March 2014 and came into force on 1 April 2014. This Order gives access to the pension scheme to all RDS employees who were employed between 1 July 2000 (the date of the Part Time Workers Act) and 5 April 2006 (the commencement date of the new fire fighters pension scheme to which RDS staff were admitted).

2.3 There are various categories into which employees and former employees have been classified such as:

- A retained fire fighter who joined the Service prior to 6 April 2006 and continues in employment beyond the four month offer period.
- A retained fire fighter who joined the Service prior to 6 April 2006 and then after 2006 transferred to the wholetime service and continues in employment beyond the four month offer period.
- Fire fighters who have left the Service between July 2000 and April 2006 whether to retire or for any other reason
- Fire fighters who have died since April 2006

2.4 There are also various provisions around ill health and injury awards which will require to be worked through in detail.

2.5 The costs of the admission of RDS and former RDS employees falling on the Fire Authority will initially be met by charges to the pensions account. These will be taken into account later as part of the actuarial valuation of the notional fund and any subsequent changes to employers' contribution rates.

2.6 The biggest impact by far will be on the administration of the scheme with the biggest workload falling on the human resources and finance departments. Guidance notes received from Communities and Local Government run to some 23 pages and set out a large number of requirements for letters, means of tracing former employees, methods of estimating service, interest rates to apply etc. This will have resource implications, particularly as it is driven by a number of statutory deadlines and is focussed on departments that are already dealing with significant workloads. It is likely therefore that temporary support may be required to enable this task to be completed within the deadlines without impacting other essential activities.

2.7 RDS staff who wish to join the scheme may opt to pay their "back" contributions over any period up to ten years or their retirement date whichever is the soonest. This will potentially involve setting up a system to record and administer these payments over the ten year period required.

2.8 In addition, it is likely that an appeals process may need to be devised in order that employees have an opportunity to appeal about the way that calculations have been carried out or the assumptions that have been made.

3. FINANCIAL IMPLICATIONS

Financial implications in the short term are limited to the appointment of any temporary staff that may be required to undertake the implementation of this settlement, however in the longer term there may be some impact upon employer pension contributions.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

Implications of this scheme will have a significant impact upon the work of both the human resources and finance departments both in terms of implementation and going forward. This will require some temporary support to deal with correspondence, calculations and appeals. The appointment of temporary staff is of course at the discretion of the Chief Fire Officer and this issue will be dealt with in due course.

5. EQUALITIES IMPLICATIONS

There are no specific equalities implications arising from this report.

6. RISK MANAGEMENT IMPLICATIONS

The key risks arising from this report relate to the impact that the work required to implement this scheme will have on other areas, some of which are statutory. The employment of temporary resources will help to manage this risk.

7. CRIME AND DISORDER IMPLICATIONS

There are no specific crime and disorder implications arising from this report.

8. LEGAL IMPLICATIONS

The requirement to implement this scheme is statutory.

9. RECOMMENDATIONS

That Members note the contents of this report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
CHIEF FIRE OFFICER

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 12

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