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NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY - FINANCE AND RESOURCES

Date: Friday, 4 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

A handwritten signature in black ink, appearing to read 'M. W. Taylor'.

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

AGENDA

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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.

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**NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY -
FINANCE AND RESOURCES COMMITTEE**

**MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood
Lodge, Arnold Nottingham NG5 8PD on 17 January 2014 from 10.00 am to 11.37
am**

- ✓ Councillor Malcolm Wood (Chair)
Councillor Chris Barnfather
- ✓ Councillor John Clarke (minute items 21-26 inclusive)
Councillor Jon Collins
- ✓ Councillor Gordon Wheeler
- ✓ Councillor Brian Grocock (Substitute for Councillor Jon Collins)
- ✓ Councillor Darrell Pulk (Substitute for Councillor John Clarke minute
items 17-20 inclusive)
- ✓ Councillor Tony Roberts (Substitute for Councillor Chris Barnfather)

✓ indicates present at meeting

Colleagues, partners and others in attendance:

Neil Timms	Strategic Director of Finance and Resources
Peter Hurford	Treasurer to the Nottinghamshire and City of Nottingham Fire and Rescue Authority
Carol Jackson	Constitutional Services, Nottingham City Council

17 APOLOGIES FOR ABSENCE

Councillor Chris Barnfather
Councillor Jon Collins

18 DECLARATIONS OF INTERESTS

None

19 MINUTES

The Committee confirmed the minutes of the meeting held on 11 October 2013 as a correct record and they were signed by the Chair.

20 BUDGET PROPOSALS FOR 2014/2015 TO 2016/2017 AND OPTIONS FOR COUNCIL TAX

Neil Timms, the Strategic Director of Finance and Resources, presented the Chief Fire Officers report setting out the options for the recommendation of a balanced revenue budget over the next three years to the Fire Authority for acceptance.

The Strategic Director of Finance and Resources outlined for Members:

- the proposed Capital Programme for 2014/2015 to 2016/2017;
- revenue budgets 2014/2015 to 2016/2017;
- possible areas for budget savings;
- the options for 2014/2015, 2015/2016 and 2016/2017 of both freezing the Council Tax and taking the grant and raising Council Tax by 1.95%;
- the potential affect on balances for 2014/2015, 2015/2016 and 2016/2017of both freezing the Council Tax and taking the grant and raising Council Tax by 1.95%

all of which are set out in detail in the Report.

RESOLVED

- (1) to recommend to the Fire Authority at its meeting on 28 February 2014;**
 - (a) the Capital and Revenue Budgets for 2014/2015 set out in the report;**
 - (b) the outline Capital and Revenue Budgets for 2015/2016 and 2016/2017 set out in the report;**
 - (c) not to accept the Council Tax freeze grant being offered for 2014/2015;**
 - (d) to increase Council Tax for 2014/2015 by 1.95% on the proviso that the referendum limit remains at 2%;**
- (2) to request the Chief Fire Officer to prepare a range of options which can be consulted upon to bring budgets into balance for 2015/2016 and 2016/2017 and to include these options within the budget report to full Fire Authority on 28 February 2014.**

Councillors Wheeler and Roberts asked that their vote against resolutions (1) (c) and (1) (d) above be recorded in the minutes.

21 TREASURY MANAGEMENT MID-YEAR REVIEW 2013/14

Peter Hurford, the Treasurer to the Fire Authority presented his report updating members on treasury management activity during the first half of the 2013/14 financial year.

The Chair thanked Peter Hurford for his work in relation to Treasury Management Practices.

RESOLVED

- (1) to note the report;**
- (2) to approve the use of the Santander 95 day Notice Account with modification application to the credit-worthiness policy as outlined in paragraph 2.19 of the report;**
- (3) to agree to the provision of a treasury management training seminar following either one of the next two committee meetings, subject to the availability of the Authority's external advisers to deliver the seminar.**

22 APPROVAL OF TEMPORARY VIREMENT

Neil Timms, the Strategic Director of Finance and Resources, presented the Chief Fire Officers report seeking the approval of members to the virement of budget to enable some elements of backlog maintenance to be recovered. The virement is proposed from the employees budget which is currently showing an underspend in the region of £480k to the building maintenance budget to enable the backlog works to be carried out.

RESOLVED to approve the virement of £420,000 from the employees virement group to the premise virement group to enable the backlog of maintenance works to be carried out partly in the current financial year and early into the next financial year.

23 CAPITAL BUDGET MONITORING REPORT TO 30 NOVEMBER 2013

Neil Timms, the Strategic Director of Finance and Resources, presented the Chief Fire Officers report advising Members on Capital Programme progress in the year 2013/14 to the end of November 2013, analysing significant variances against the original programme.

The capital budget monitoring statement is showing an underspend to date of £6,406,000 against a budget for the year of £8,339,000. Overall capital expenditure is likely to reach £5,151,000 by the end of the year but the outturn will be continually reviewed and reported throughout the year.

RESOLVED

- (1) to approve a voluntary Minimum Revenue Provision contribution of up to £1m from a combination of general underspends and unused RCCO, as outlined in paragraph 2.3 of the report;
- (2) to approve the acceleration of the purchase of a Microsoft Volume Enterprise License Agreement covering all Microsoft software applications and server licensing for a 3 year period at an estimated cost of £200,000. This will be financed from the existing budgeted capital financing charges;
- (3) to note the content of this report.

24 REVENUE BUDGET MONITORING TO 30 NOVEMBER 2013

Neil Timms, the Strategic Director of Finance and Resources, presented the Chief Fire Officers report advising Members of the financial performance of the Service in the year 2013/14 to the end of November 2013, analysing significant variances against the original programme.

The Revenue budget monitoring statement for November 2013 is showing an underspend to date of £863,000 against a budget for the year of £43,899,000. The projected outturn variance for the year is an underspend of £821,000.

RESOLVED to note the contents of the report.

25 PRUDENTIAL CODE MONITORING REPORT TO 30 NOVEMBER 2013

Peter Hurford, the Treasurer to the Fire Authority presented his report informing members of performance for the period March 2013 up to 30 November 2013 relating to the prudential indicators for capital accounting and treasury management.

RESOLVED to note the report.

26 CORPORATE RISK MANAGEMENT

Neil Timms, the Strategic Director of Finance and Resources, presented the Chief Fire Officers report presenting Members with updated Strategic and Corporate Risk registers and associated commentary.

RESOLVED

- (1) to note and endorse the Strategic Risk Register;
- (2) to note and endorse the Corporate Risk Register;
- (3) to note the most significant risks facing the Authority.



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

CAPITAL BUDGET MONITORING REPORT TO 28 FEBRUARY 2014

Report of the Chief Fire Officer

Date: 4 April 2014

Purpose of Report:

To report to Members on Capital Programme progress in the year 2013/14 to the end of February 2014. This report analyses significant variances against the original programme.

CONTACT OFFICER

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1. BACKGROUND

Budget monitoring is a key aspect of financial management for the Fire & Rescue Authority. Regular reporting of spending against both the revenue and capital budgets is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities. The capital monitoring statement is shown as Appendix A to this report.

2. REPORT

SUMMARY

- 2.1 The capital budget monitoring statement is showing an underspend to date of £5,794k, against the budget for the year of £8,339k. The budget for the year includes slippage of £3,142k brought forward from 2012/13, which was approved by Members of the Fire Authority on 28 June 2013. Overall, capital expenditure is likely to reach £3,168k by the end of the year resulting in an outturn underspend of £5,171k.
- 2.2 The Authority has received a capital grant of £1,088k this year; this will be used to finance an element of the capital programme. In addition, revenue contributions to finance capital have been budgeted for, amounting to £2,000k. This will keep the need to borrow to finance the programme to a minimum, thereby reducing revenue costs in future years. The Authority has received a capital receipt of £2,000k from Nottingham City Council and this represents the Authority's share of the proceeds of selling Dunkirk Fire Station. The capital receipt eliminated the need to borrow funds to repay a loan which matured in September.
- 2.3 The forecast outturn of £3,168k means that the planned financing of the capital programme by capital grant, revenue contributions and a capital receipt will need adjusting. Once the final capital outturn is known, Officers will decide on the most appropriate financing combination. Members of this committee on 17 January 2014 approved a voluntary revenue provision of up to £1m if there are un-used revenue contributions.

SIGNIFICANT VARIANCES

TRANSPORT:

- 2.4 After evaluating chassis manufacturer options for new **Rescue Pumps** and obtaining quotations, orders were placed to secure four Euro 5 engine chassis before the requirement to go to Euro 6 and incur the additional costs that Euro 6 engine vehicles will bring. Work to review the equipment inventory and refreshing the Rescue Pump Technical Specification Requirement was undertaken as planned and the Welsh Pumping Appliance Framework has been utilised to procure the new appliances required. A decision to use the Welsh framework rather than The Consortium – Fire&Rescue framework was

made in order to save on the management fee applicable to that framework. Officers are currently involved with a Derbyshire FRS project to put in place framework agreements without management fees. As a result, work to put in place another multi-year contract for Rescue Pump appliances due for replacement in financial year 2015/16 and onwards has been delayed to take advantage of the cost saving benefits.

- 2.5 The new **Aerial Ladder Platform** has been built and underwent dynamic testing just before Christmas. The vehicle has now been delivered to the Service and crew training is currently underway, subject to weather conditions.
- 2.6 The **Special Appliances** - work to draw up specifications for a new Incident Command Unit appliance, along with that for a replacement Breathing Apparatus Unit and Hazardous Materials & Environmental Protection Unit, has now commenced as planned. The latter two appliances will re-use other existing vehicle chassis to reduce expenditure on replacing those Special Appliances.
- 2.7 **Water/Foam Unit** - The Water/Foam Unit appliance build has been completed and the vehicle has undergone dynamic testing. The vehicle was delivered in early January with training to be provided by SDC ready for operational deployment in March/April 2014
- 2.8 **Flood Response Unit** -The vehicle is currently in build with vehicle completion estimated to be May 2014.
- 2.9 **Light vehicle replacement** - As yet the re-structure has not identified any surplus vehicles to enable fleet reduction. Although some previously planned procurement of new light vehicles has taken place, further work is to be carried out to identify if the light vehicle fleet can be reduced to make cost savings.

PROPERTY:

- 2.10 **Edwinstowe Fire Station Conversion Project** - the conversion works are now complete and the station is operating as a whole-time fire station. The 12 months defects liability period is due to end in June 2014 where the contract retention becomes payable subject to any outstanding defects. The overall project cost is expected to be within the £790k stated in previous capital programme reports.
- 2.11 **Central Fire Station** - the pre-planning application for a joint Fire Station and City Council Emergency Planning Hub was submitted in December 2013 and the Service has since had a response from the Chief Planning Officer based on the conceptual design of the proposed new station. The proposal is for the City Council's Emergency Planning Team to co-locate with NFRS at the new fire station and occupy circa one third of the proposed station office accommodation. The financial arrangements between NFRS and the City Council related to this sharing of accommodation are yet to be agreed. The

final purchase price for the Gresham Works site is still to be agreed but is likely to be in the region of £600k, which is higher than the initial estimate of £466k. The land purchase is anticipated to be completed in financial year 2014/15.

2.12 **Central Fire & Police Station Disposal** - the tenders for the disposal of Central Fire & Police Station were received 8 October 2013. The preferred bidder is Nottingham City Council who submitted the most favourable bid. The final Heads of Terms for the sale are still to be agreed.

2.13 **Retford Fire Station** - the tender was won by Gelder Group who has now been awarded the contract; the contract sum was in line with the pre-tender estimate and project budget (incidentally Gelder Group successfully completed the refurbishment of Blidworth Fire Station in 2012).

The outline programme is as follows:

The temporary fire station site became operational when the station staff moved into this accommodation 17 September 2013.

The Retford Fire Station site at Wharf Road was handed over to the contractor 14 October 2013, at this point Gelders took responsibility of the site and effectively it becomes theirs for the duration of the contract.

The works contractor completed the removal of asbestos and other internal elements of the building at the end of November and started the main demolition of the old fire station at the beginning of December.

Construction of the new station started in the first week of the New Year.

Final completion of the new Retford Fire Station is anticipated by September 2014.

The estimated occupation of the new station will be mid to late October 2014

The estimated hand-back of temporary accommodation is November 2014

2.14 **Refurbishment of Control and Incident Support Room**- this project is funded from an earmarked reserve relating to the tri-Service Control project and is now complete.

2.15 **Sustainable Energy Project** - this project was largely completed in 2011/12. The final project costs are within the project budget and the retentions and outstanding fees are circa £15k to £25k, due in 2013/14.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

2.16 The Information and Communications Technology budget is under spending by £739k to date against the annual budget of £1,110k. Some projects were delayed in 2012/13 and have been slipped into 2013/14 – these include the projects for Business Process Automation and the Human Resources replacement system. The project to upgrade to Microsoft Office 2010 was completed in 2011/12, but £93k was brought forward from last year's programme to pay for licences which started in 2013/14.

- 2.17 Following an assessment of the impact of both the Tri-Service Control project and the organisational re-structure a detailed specification is being prepared for the Business Process Automation project. This project is now expected to commence late in 2013/14 and the balance of this project will be slipped into 2014-2015. The estimated slippage required is £335k.
- 2.18 Phase one of the HR system project and phase two (procurement) have been completed. The tender has been awarded and Phase 3 (implementation) has now commenced, with completion expected early in 2014/15. The estimated slippage required is £268k.
- 2.19 The Microsoft Infrastructure Upgrade project is currently being implemented and includes the upgrade of the NFRS Wide Area Network and the roll-out of Windows 7 laptops. It is anticipated that both projects will be completed by the end of 2013/14.
- 2.20 Earlier phases of the Mobile Computing Project have been completed and appropriate hardware trials are currently in progress. Once the trials are completed a decision will be taken about rolling the project out.
- 2.21 The CFRMIS budget of £47k is for the Operational Intelligence Project which involves the electronic collection of operational data and transfer into the CFRMIS system. It is proposed that the funds are rolled forward into the 2014/15 budget because it has been necessary to extend the pilot before a decision to implement this method of information capture is made. The reason for the extension of the pilot is because the Tri-Service Control project may or may not include a data capture solution and this decision is expected early this year. There has also been a change of project staff following the service-wide restructure and it was important for new staff to gain an understanding of the current position before progressing to completion. This assessment has now been made and improvements to project management are in hand. A new cost-free software upgrade is also under review and this has influenced the decision to extend the pilot.

3. FINANCIAL IMPLICATIONS

The forecasted level of capital expenditure for this year is set out within the body of the report. Decisions on the financing of capital expenditure will be taken when the final outturn is known, and will be in the context of actual levels of capital expenditure and the overall financial position of the Authority.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

FINANCIAL RISK

8.1 Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure as are the management actions which are stimulated by such reporting.

Specific risks inherent within this report are:

- risk of overspending on any given project
- risk of overspending against the whole capital programme
- risk of significant underspends.

8.2 The property programme is where the highest risk of overspends against individual projects will lie due to unforeseen problems encountered when building works start. To counteract this it is possible to slip other projects forward to ensure that the programme in any one year is affordable.

8.3 The ICT budget only presents a high risk of overspending where there are major projects in progress e.g. the replacement HR System. It is essential therefore to engage high quality project managers to mitigate this risk. There is also a concern that the ICT Department may not have the capacity to deliver against the £1,110k programme due to the high level of commitment required for the Tri-Service Control project. The business plans of the ICT Department reflect the level of project work taking place and are monitored regularly. If it becomes clear that projects will have to be delayed due to capacity problems, this will be reported and managed.

- 8.4 Close liaison between finance staff and budget holders will seek to monitor, evaluate and report on the financial risk of overspends and underspends.
- 8.5 The underspend on the capital programme reported in paragraph 2.1 will potentially create two impacts. Firstly, the capital financing revenue budget in the following financial year (2014/15) is likely to underspend and this variance will be reported in the year and managed along with the whole revenue budget. In 2015/16, this variance will be corrected as the revenue budget requirement will have been re-assessed during the next budget process. Secondly, the budget assumptions made about how the capital programme will be financed will have to be re-assessed. In a year when new borrowing is taken to finance a capital programme which then underspends, the Authority will be paying loan interest which exceeds the interest earned on investments (known as the cost of capital) in the current economic conditions. In this year, no new borrowing has been taken so this risk has not materialised.

CORPORATE RISK

- 8.6 The risk of not completing a given Capital Project either on time, or at all, and the impact that may have on the organisation and its corporate objectives.
- 8.7 An examination of the Capital Programme shows that there are a number of projects which are key to the achievement of corporate objectives. That is not to imply that other projects are not important in supporting those objectives.

These key projects are:

- Retford Fire Station refurbishment;
 - relocation of Central Fire Station;
 - replacement Aerial Ladder Appliance;
 - replacement IT equipment;
 - HR System replacement.
- 8.8 Although the project to replace Central Fire Station is in its early stages, with land being sought, there is no corporate risk at present due to the overall underspending on the Capital Programme and the potential to slip budget for the project into 2014/2015.
- 8.9 Replacement of IT Equipment carries a low risk as there is little work involved in this beyond the preparation and installation of replacement equipment. There is therefore little or no technical risk as all hardware is for known and tested applications.
- 8.10 The replacement HR system is not due to be fully installed and in use until May 2014 and the organisation is able to continue to use the existing HR system to meet its key objectives in the meantime, although a new system will undoubtedly result in significant improvement to processes and management reporting.

8.11 The Tri-Service Control project is not covered within the capital programme, as the purchase of the system is being managed by Derbyshire Fire and Rescue Service on behalf of the three Services. For information, it is confirmed that the project is on track with the contract awarded and the main implementation phase due to complete by July 2014. The Authority has received a capital grant of £1,800k to fund its share of the total project.

9. RECOMMENDATIONS

It is recommended that Members note the content of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

	2013/14 Approved Budget £000's	2012/13 Slippage £000's	2013/14 Revised Budget £000's	Actual to Date £000's	Variance to Date (Under) / Over £000's	Estimated Outturn £000's	Estimated Outturn Variance £000's	2014/15 Provisional spend £000's
TRANSPORT								
Rescue Pump replacement programme								1,263
Special Appliances	2,038	180	2,218	917	-1,301	1,000	-1,218	
Small vehicle replacement programme	445		445	115	-330	150	-295	351
	2,482	180	2,662	1,032	-1,630	1,150	-1,512	1,614
PROPERTY								
Station Improvements								
Edwinstowe Fire Station Conversion Project		424	424	394	-30	465	41	
Blidworth Fire Station		25	25	-5	-30	20	-5	
Central Fire Station - Land Purchase		466	466	51	-415	150	-316	
Retford Fire Station Station Refurbishment		1,426	1,426	481	-945	778	-648	2,310
Tuxford Fire Station Carlton Fire Station								
Refurbishment of Control Room and Incident Support Room				210	210			
Sustainable Technology Project Phase 1 - 2011 Purchase of Land for New Fire Station	2,200	26	26	11	-15	25	-1	
Service Development Centre Shower Block			2,200		-2,200	150	-2,050	
	2,200	2,367	4,567	1,142	-3,425	1,588	-2,979	2,310
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30	11	41	12	-29	30	-11	30
Business Process Automation	150	195	345	1	-344	10	-335	
Mobile Computing		20	20	8	-12	10	-10	
HR System Upgrade	150	228	378	87	-291	110	-268	
Microsoft Infrastructure Upgrade		93	93	102	9	120	27	
Office 2010 Windows 7 Upgrade								
Business Expansion	25		25	16	-9	16	-9	25
Replacement Equipment	85	1	86	104	18	104	18	85
CFRMIS Ops Intel Database		47	47		-47		-47	
Tri ServcieContral Project	75		75	11	-64	30	-45	
Information Systems Development				30	30			100
	515	595	1,110	371	-739	430	-680	240
Grand Total	5,197	3,142	8,339	2,545	-5,794	3,168	-5,171	4,164
To Be Financed By :								
Sale of Dunkirk				-2,000		-2,000	-2,000	
Sale of Principal Officers Cars								
Sale of Rescue Pumps				-33	-33			
Revenue Contribution	-2,000		-2,000			-2,000		0
Capital Grant	-1,088		-1,088	-1,088		-1,088		1,088
Capital Budget Slippage form 2013/2014								
Total	-3,088	0	-3,088	-3,121	-33	-5,088	-2,000	1,088

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

REVENUE BUDGET MONITORING TO 28 FEBRUARY 2014

Report of the Chief Fire Officer

Date: 4 April 2014

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2013/14 to the end of February 2014. This report analyses significant variances against the original budget.

CONTACT OFFICER

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1. BACKGROUND

Budget monitoring is a key aspect of financial management for the Fire and Rescue Authority. Regular reporting of spending against both the revenue and capital budgets to Members is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities.

2. REPORT

SUMMARY

- 2.1 The revenue budget monitoring statement for February 2014 is showing an underspend to date of £222k against a budget for the year of £43,898k. The projected outturn variance for the year is an underspend of £884k. This outturn assumes that most of the commitments against expenditure budgets will be invoiced by the end of the financial year, and compares with the estimated forecast underspend of £821k as at November 2013 previously reported to this committee.
- 2.2 The underspend to date of £222k and the projected underspend of £884k comprise several key variances which are explained in the following paragraphs.
- 2.3 The full Revenue Budget Monitoring Statement is given as Appendix A to this report.
- 2.4 The 2013/14 budget assumes that a contribution of £2,065k will be made from general reserves to support the budget. This transfer from reserves will be made at the end of the financial year and is disregarded for the purposes of providing Members with a picture of performance against the revenue budget. The £2,065k comprises £2,000k to fund a revenue contribution to capital expenditure and £65k to fund the shortfall between the budget requirement and the resources available to finance the budget.
- 2.5 The Finance and Resources Committee approved a virement on the 17 January 2014 of £420k from the employees budget to the premises budget. This will fund any overspend on the premises budget this current financial year in respect of backlog maintenance carried out by 31 March, and the balance will be carried forward into the next financial year as an earmarked reserve to fund backlog maintenance. The virement will be carried out when the final outturn is established at year end.
- 2.6 Key issues to note are: expenditure within Wholetime pay to maintain crewing now stands at £620k to the end of February (paid one month in arrears). The estimated outturn of £689k assumes that for the next two months the spend will be £35k, which is £8k less than the previous month's actual.

- 2.7 The cost to date of the Fire Brigades Union industrial action is £180k, and this is reflected in the relevant outturn figures.
- 2.8 In addition to the earmarked reserve for backlog maintenance referred to in paragraph 2.5, the Human Resources Committee on 7 February 2014 recommended that if there is sufficient revenue budget underspend the Finance and Resources Committee approve the creation of an earmarked reserve at the end of the 2013/14 financial year to fund the one-off cost of voluntary redundancies taking place in the 2014/15 financial year. This one-off cost will be £580k
- 2.9 There are two issues connected with pensions, which need to be brought to the attention of Members. Firstly, Members may be aware that a report submitted to the Policy and Strategy Committee in January 2014 concerned a taxation issue relating to pensions which may result in significant sums being paid to HMRC. It was decided that this liability would be met from balances and therefore there will be an authorised overspend in this budget. Discussions have been taking place for several months to attempt to agree the extent of this liability with HMRC but these have, as yet, not concluded and therefore no figure has been included within this monitoring statement.
- 2.10 The second pensions issue relates to errors which have been uncovered as part of the data transfer process when pension records were transferred to Leicestershire County Council, which is the Authority's new pension administrator for fire-fighter pensions. There were a high number of errors due to a software problem within the Nottinghamshire County Council old payroll system. All of these errors are of low value, however there are a small number of other errors not caused by the software problem, which may be more significant. It is not anticipated at this time that any costs will fall onto the Fire Authority as a result of this, however final figures and solutions to the problem have yet to be agreed.

SIGNIFICANT VARIANCES

- 2.11 **WHOLETIME PAY:** (Annual Budget £23,424k). The Wholetime establishment has been exceeded during the period reported i.e. 537 posts against an establishment of 530. This is because a cohort of trainee firefighters started in September 2013 and 3 Retained Firefighters transferred to the Wholetime duty system at the same time. As Wholetime employees retire or leave the Service this situation will be rectified. The crewing of the West Bridgford second appliance has also contributed to a net overspend to date of £190k but this appliance has now been removed. **The forecast outturn overspend on Wholetime Pay is £97k.**
- 2.12 **RETAINED PAY:** (Annual Budget £2,802k). The Retained pay budget continues to underspend, despite the number of mobilisations being higher for April to February compared to the same period last year (2679 2013 / 2576 2012). The underspend to date is £302k. The projected outturn is based on assumptions about future expenditure to the end of the year. **The forecast outturn underspend on Retained Pay is £343k.**

- 2.13 **ADMINISTRATIVE AND SUPPORT STAFF PAY:** (Annual Budget £5,667k). There are currently 13 vacancies in the establishment, which are causing the budget to underspend to date by £246k, although some vacancies are being covered by agency or temporary staff. Some of the vacant posts have been removed from the 2014/15 budget. **The forecast outturn underspend on Administrative and Support Pay is £246k.**
- 2.14 **CONTROL PAY:** (Annual Budget £1,043k). The Control budget is based on an establishment of 26, however the actual establishment during the year has been 27.5, reducing to 26.5 in February. This has resulted in an overspend to date of £66k. This over-establishment was in place to deal with the additional workload arising from the Tri-Service Control project. **The forecast outturn overspend on Control Staff is £65k.**
- 2.15 **INDIRECT EMPLOYEE EXPENSES:** (Annual Budget £527k). The relocation fees and employee benefits schemes budgets are all anticipated to underspend by the end of the year. **The forecast outturn underspend on Indirect Employee Expenses is £7k.**
- 2.16 **PENSIONS:** (Annual Budget £775k). The pension's budget is underspending to date by £3k. **The forecast outturn on Pensions is an expected underspend of £13k.**
- 2.17 **REPAIRS AND MAINTENANCE:** (Annual Budget £500k). The Repairs and Maintenance budget is overspending to date by £246k including backlog building maintenance. It was agreed at the Finance and Resources Committee of 17 January 2014 that backlog maintenance up to the value of £420k would be financed from the underspend in the pay budget. At this stage a further £57k will be expected to be spent by the end of the year for routine repairs. In addition £98k for the repairs to the training tower at the training centre is showing in the outturn overspend, this work was agreed by Members earlier in the year and will be financed at the year end from the Capital Earmarked Reserve. **The forecast outturn overspend on Repairs and Maintenance Costs is £144k and a virement from the pay budget will be used to finance backlog maintenance at the end of the year.**
- 2.18 **ENERGY COSTS:** (Annual Budget £373k). The under spending to date on energy costs is £37k due the timing of the billing. **The forecast outturn overspend on Energy Costs is £10k.**
- 2.19 **DIRECT TRANSPORT COSTS:** (Annual budget £1,082k.) Fuel is overspending to date by £5k, although some of this expenditure is represented by fuel tank balances to be used over the next month. The risk-based budget contingency will be used to cover any overspend caused by excessive price inflation so the outturn is assumed to be able to be contained within the overall budget. Fuel stocks are to be transferred to the stock account and charged to revenue as they are issued for the future. This will prevent this cyclical under/over spend occurring. The fleet maintenance budget has outstanding orders for £56k and if all of this work is completed in the current financial year, there may be an overspend of £43k. **The forecast overspend on Direct Transport Costs is £41k.**

- 2.20 **CAR ALLOWANCES:**(Annual budget £420k).Despite budgetary savings having been implemented for 2013/14, car allowances continue to underspend as they did in 2012/13.This budget has been reviewed during the 2014/15 budget process and further savings have been identified. **The forecast outturn underspend on Car Allowances is £19k.**
- 2.21 **OTHER TRANSPORT:** (Annual budget £422k). The Authority's motorinsurance has been re-tendered and, due to the worsened claims history and current insurance market conditions,the insurance premium has increased by £59k beyond the level budgeted for. The Finance Lease Extensions & Terminations - forecast outturn underspend £41k - this budget is difficult to forecast as it is affected by the timings of appliance procurement, but based on the current level of expenditure to date it is assumed that there will be an underspend at year end.**The forecast outturn overspend on Other Transport is £28k.**
- 2.22 **EQUIPMENT:** (Annual budget £953k).Operational Equipment is forecast to underspend by £50k. Almost half of this is because appliance ladders have been either recycled or purchased within the capital programme. The remaining underspend is the result of very careful monitoring of the budget by the budget holder. The office equipment budget is expected to underspend by £25k, again because employees are making the best use of current equipment and the opportunity for recycling. The budget for Community Safety Equipment and Consumables is likely to underspend by £20k in this category of expenditure, but elsewhere there are offsetting overspends which reduce the overall position to a much smaller underspend.**The forecast outturn underspend on Equipment is £99k.**
- 2.23 **COMMUNICATIONS AND COMPUTING:** (Annual Budget £1,714k). The contracts for computer software maintenance and non-contracted services have been either reviewed or renegotiated for 2013/14 and this is expected to result in an estimated outturn underspend of £79k. In addition the Consultation budget forecast outturn underspend is £60k because the amount estimated as required for IRMP consultation was overstated.**The forecast outturn underspend on Communications and Computing is £147k.**
- 2.24 **SERVICES:** (Annual Budget £474k). Marketing & Publicity - forecast outturn underspend of £18k is due to partly to changed requirements following increased use of technology and partly to the vacancy of the budget holder's post for part of the year. External Audit Fees - forecast outturn underspend £5k is for the sum that was held back as a contingency in case the audit process incurred any additional costs, which it did not. Professional fees - forecast outturn underspend £5k which was set aside to procure consultants to assist with re-tendering the Service's health cash-back scheme. This is no longer required as the tender will be done in-house. CRB Checks - forecast outturn underspend £12k due to change in regulations which means that a lower quantity of checks need to be carried out. **The forecast outturn underspend on Services is £72k.**

- 2.25 **MISCELLANEOUS EXPENSES:** (Annual Budget £670k). The risk based budget of £296k was set aside for any expenditure that was unforeseen and not budgeted for but this budget has not been used this year to date. This budget has been significantly reduced for 2014/15 as part of the base budget review. **The forecast outturn underspend on Miscellaneous Expenses is £262k.**
- 2.26 **CAPITAL FINANCING COSTS:** (Annual budget £4,357k) Minimum Revenue Provision - forecast outturn overspend of £51k. At budget time it was assumed that some of the capital expenditure would be subject to the minimum revenue provision charge, however the final capital expenditure that was subject to MRP was higher than anticipated. **The forecast outturn overspend on Capital Financing Costs is £44k.**
- 2.27 **INCOME:** (Annual budget £3,379k). The shortfall to date of £312k relates to the Prince's Trust which is expected to suffer a shortfall in income in the region of £165k this year and is due to receive a substantial amount of income before the end of the year. This situation has arisen mainly because the funding per student received from the education sector has been significantly reduced part way through the year and this issue will be the subject of a full report to the next Policy and Strategy Committee. The Government Grant forecast underspend of £103k relates to £18k for the FEU conference which is offset by expenditure elsewhere, and a DCLG grant of £85k for Council Tax Transition which was not known at budget time. In addition the authority has received insurance settlements totalling £45k. **The forecast outturn surplus of Income is £33k.**

3. FINANCIAL IMPLICATIONS

The financial implications are set out within the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure as are the management actions which are stimulated by such reporting. Throughout the year, finance department staff work collaboratively with budget holders towards keeping expenditure within budget and improving financial performance.

9. RECOMMENDATIONS

- 9.1 That Members note the contents of this report.
- 9.2 That Members approve the creation of an earmarked reserve at the end of the financial year up to the value of £580k to fund the one-off costs of voluntary redundancies in 2014/15.

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

None

**JOHN BUCKLEY
CHIEF FIRE OFFICER**

Revenue Budget Monitoring to 28
February 2014

Appendix
A

	Annual Budget £000	Budget Profile at February £000	Actual to February incl. Commitments £000	Variance to February (Under) / Overspent £000	Forecast Outturn £000	Forecast Outturn Variance £000	Forecast Outturn Variance %
Employees							
Wholetime	23,424	21,474	21,564	90	23,521	97	0%
Retained	2,802	2,335	2,033	(302)	2,459	(343)	-12%
Non-Uniformed	5,667	5,173	4,946	(227)	5,421	(246)	-4%
Control	1,043	954	1,020	66	1,108	65	6%
Allowances	42	37	42	5	42	0	0%
Indirect Employee Expenses	527	462	529	67	520	(7)	-1%
Pension	775	763	756	(7)	762	(13)	-2%
Total Employees	34,280	31,198	30,890	(308)	33,833	(447)	-1%
Premises							
Repairs/Alterations/Maintenance	500	470	770	300	644	144	29%
Energy Costs	373	336	299	(37)	383	10	3%
Rent/Rates/Water	813	665	705	40	794	(19)	-2%
Other Premises Costs	380	348	372	24	370	(10)	-3%
Total Premises	2,066	1,819	2,146	327	2,191	125	6%
Transport							
Direct Transport Costs	1,082	992	1,123	131	1,123	41	4%
Car Allowances	420	405	434	29	401	(19)	-5%
Other Transport	422	385	336	(49)	450	28	7%
Total Transport	1,924	1,782	1,893	111	1,974	50	3%
Supplies & Services							
Equipment	953	906	764	(142)	854	(99)	-10%
Clothing							
Uniform/Printing/Stationery/Catering	497	482	383	(99)	484	(13)	-3%
Services	474	444	384	(60)	402	(72)	-15%
Communications and Computing	1,714	1,571	1,477	(94)	1,567	(147)	-9%
Miscellaneous Expenses	670	624	375	(249)	408	(262)	-39%
Recharge Expenditure -							
Company/Trading Accounts	24	18	17	(1)	24	0	0%
Total Supplies & Services	4,332	4,045	3,400	(645)	3,739	(593)	-14%
Support Services							
Treasury & Committee Services	218	131	154	23	218	0	151%
Legal Services	100	92	65	(27)	70	(30)	-30%
Total Support Services	318	223	219	(4)	288	(30)	94%
Capital Financing Costs							
Interest Payments	1,059	738	723	(15)	1,052	(7)	-1%
Debt Management Expenses	3,298	0	0	0	3,349	51	2%
Total Capital Financing Costs	4,357	738	723	(15)	4,401	44	1%
Income							
Government Grants	(341)	(341)	(481)	(140)	(412)	(71)	21%
Other							
Grants/Reimbursements/Contributions	(2,299)	(359)	(447)	(88)	(2,414)	(115)	5%
Customer and Client Receipts	(614)	(637)	(142)	495	(461)	153	-25%
Interest	(125)	(115)	(70)	45	(125)	0	0%
Total Income	(3,379)	(1,452)	(1,140)	312	(3,412)	(33)	1%
Net Expenditure	43,898	38,353	38,131	(222)	43,014	(884)	-1%



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

PRUDENTIAL CODE MONITORING REPORT TO 28 FEBRUARY 2014

Report of the Treasurer to the Fire Authority

Date: 4 April 2014

Purpose of Report:

To inform Members of performance for the eleven month period to 28 February 2014 relating to the prudential indicators for capital accounting and treasury management.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 The Local Government Act 2003 sets out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code, which CIPFA updated in 2011.
- 1.2 The objectives of the Prudential Code are to ensure that the capital investment plans of authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. The Prudential Code sets out a number of indicators which authorities must use to support decision making. These are not designed to be comparative performance indicators.
- 1.3 The Fire Authority approved these prudential indicators for 2013/14 at its meeting on 22 February 2013.
- 1.4 The Prudential Code requires that local authorities report performance against prudential targets to Members.

2. REPORT

Prudential Indicators

- 2.1 Some of the prudential indicators set cannot easily be measured during the year and will be reported on in the Treasury Management Annual Report for 2013/14 after the end of the financial year. These indicators are:
 - ratio of financing costs to net revenue stream 2013/14 (affordability);
 - incremental impact of capital investment decisions on Council Tax 2013/14 (affordability);
 - total capital expenditure 2013/14;
 - Capital Financing Requirement as at 31 March 2014.
- 2.1 In terms of borrowing, the indicator "gross borrowing and the capital financing requirement (CFR)" (a prudence indicator) requires that gross external borrowing does not, except in the short term, exceed the CFR. The CFR at 1 April 2013 is £25.004m and estimated to be £26.032m by the year end. During the period 1 April 2013 to 28 February 2014 the gross indebtedness of the Authority, calculated at the start of each month, did not exceed £25.539m including any requirements for temporary overdrafts. As at 28 February 2014, the gross debt of the Authority was £22.539m, which is below the estimated CFR for the end of the year.
- 2.3 The Authority set an operational boundary for 2013/14 of £27,233m and an authorised limit of £29,956m. Although these limits are year end targets the

Authority is required to demonstrate that it has not exceeded them at any time during the financial year. Again, the maximum indebtedness of the Authority during the period, as shown in the paragraph above, is within the limits set.

The graph given as Appendix B illustrates the levels of borrowing during the period up to the end of February 2014.

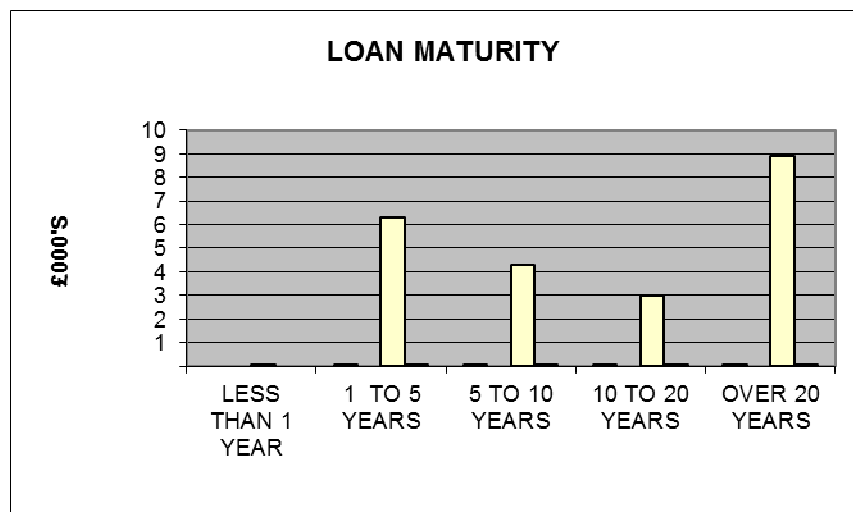
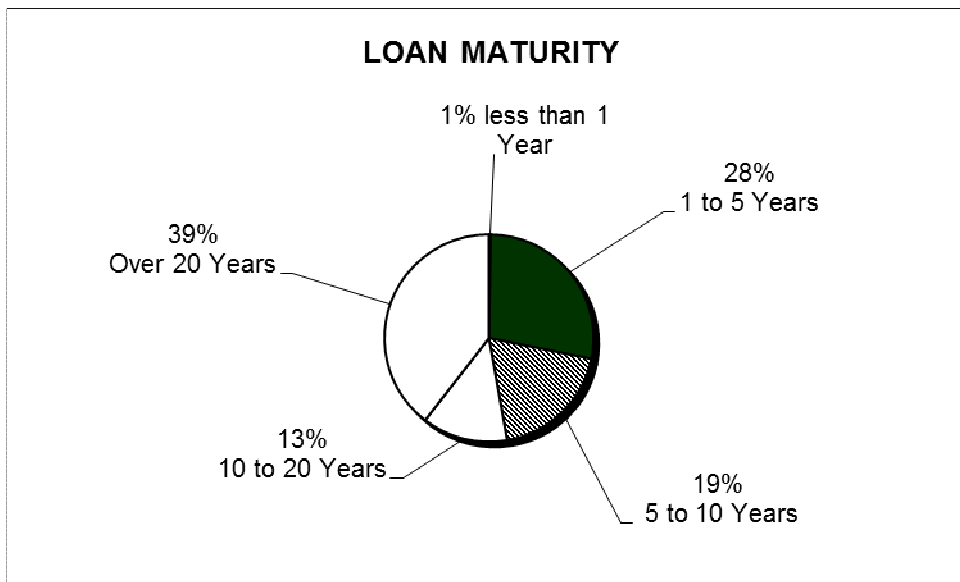
Treasury Management Indicators

- 2.4 An interest earnings budget of £125k was set for 2013/14 and as at 28 February 2014 £69k had been received (after deducting interest relating to the 2012/13 financial year which was accrued for). It is expected that the budget target will be achieved by the year end, as there is interest earned on investments, which has not yet been received.
- 2.5 The treasury management target relating to interest rate exposure is that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 28 February 2014, 100% of lending was at fixed interest rates.
- 2.6 The treasury management target in respect of cash management is that the Authority's bank overdraft should not exceed £200,000. During the three month period up to 28 February 2014 the account was overdrawn during the Christmas break by £3k for three days. This was within our overdraft limit and was therefore no cause for concern. A graph of cash balances for the period up to 28 February 2014 is shown in Appendix A.

Treasury management limits relating to loan maturity are shown below:

Loan Maturity		
	<i>Upper Limit</i>	<i>Lower Limit</i>
Under 12 months	20%	0%
12 months to 5 years	30%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	0%
Over 20 years	100%	30%

Actual performance against these targets in the period to 28 February 2014 is shown in the following graphs and demonstrates that the limits have not been breached.



2.7 The upper limit for sums invested for longer than 364 days is £2m. During the period to 28 February 2014, no sums were invested for longer than 364 days.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full within this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources and learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report gives detail of performance against the approved Treasury Management Strategy and Prudential Code. These are financial policies and do not directly impact on employees or members of the public.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

The Prudential Code is a framework which sets out to quantify and minimise financial risk arising from the financing of capital, the investment of surplus funds and the maintenance of operating cash balances for the Authority. The favourable performance against the prudential targets demonstrates that these areas of operation are being managed effectively.

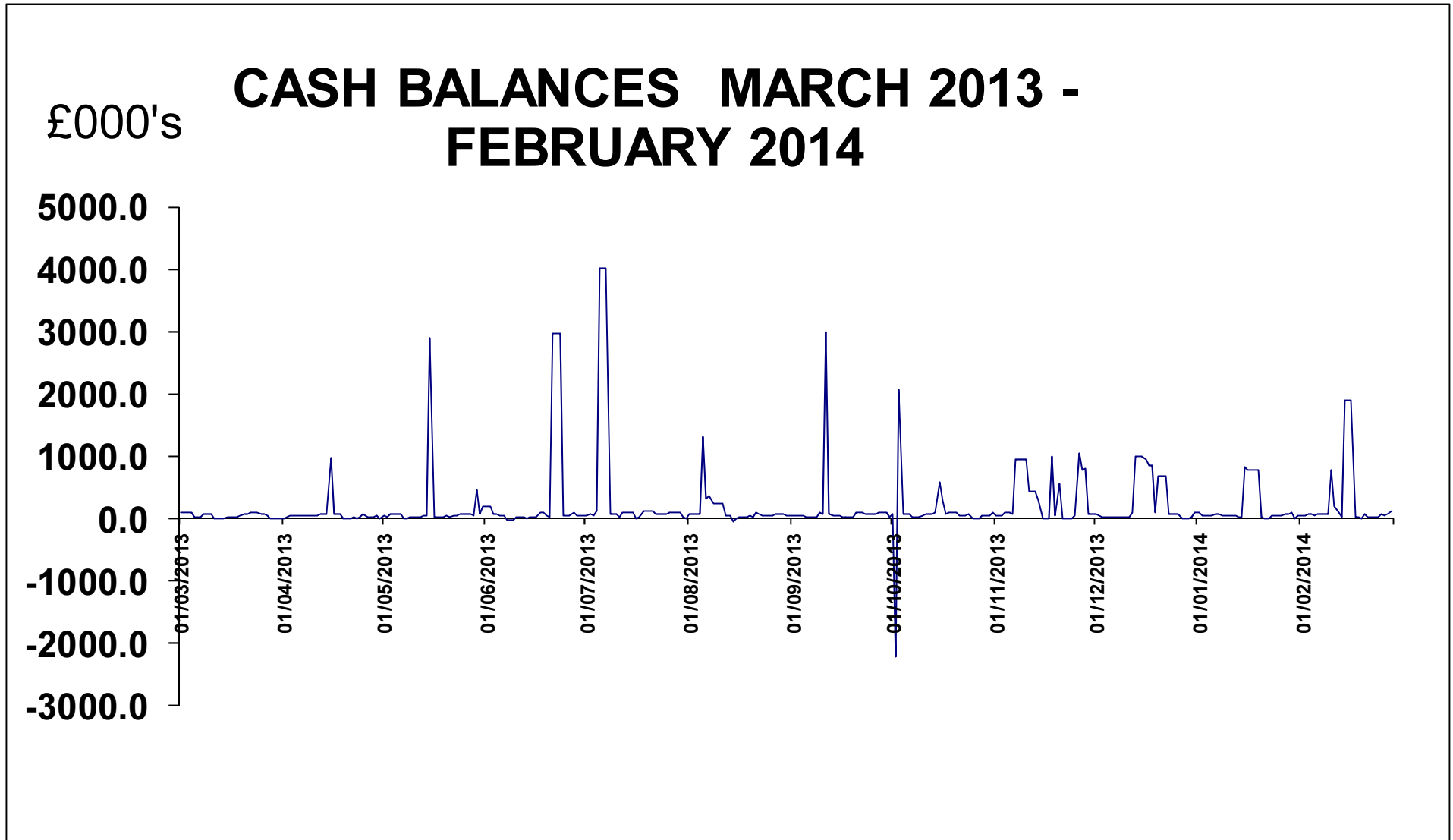
9. RECOMMENDATIONS

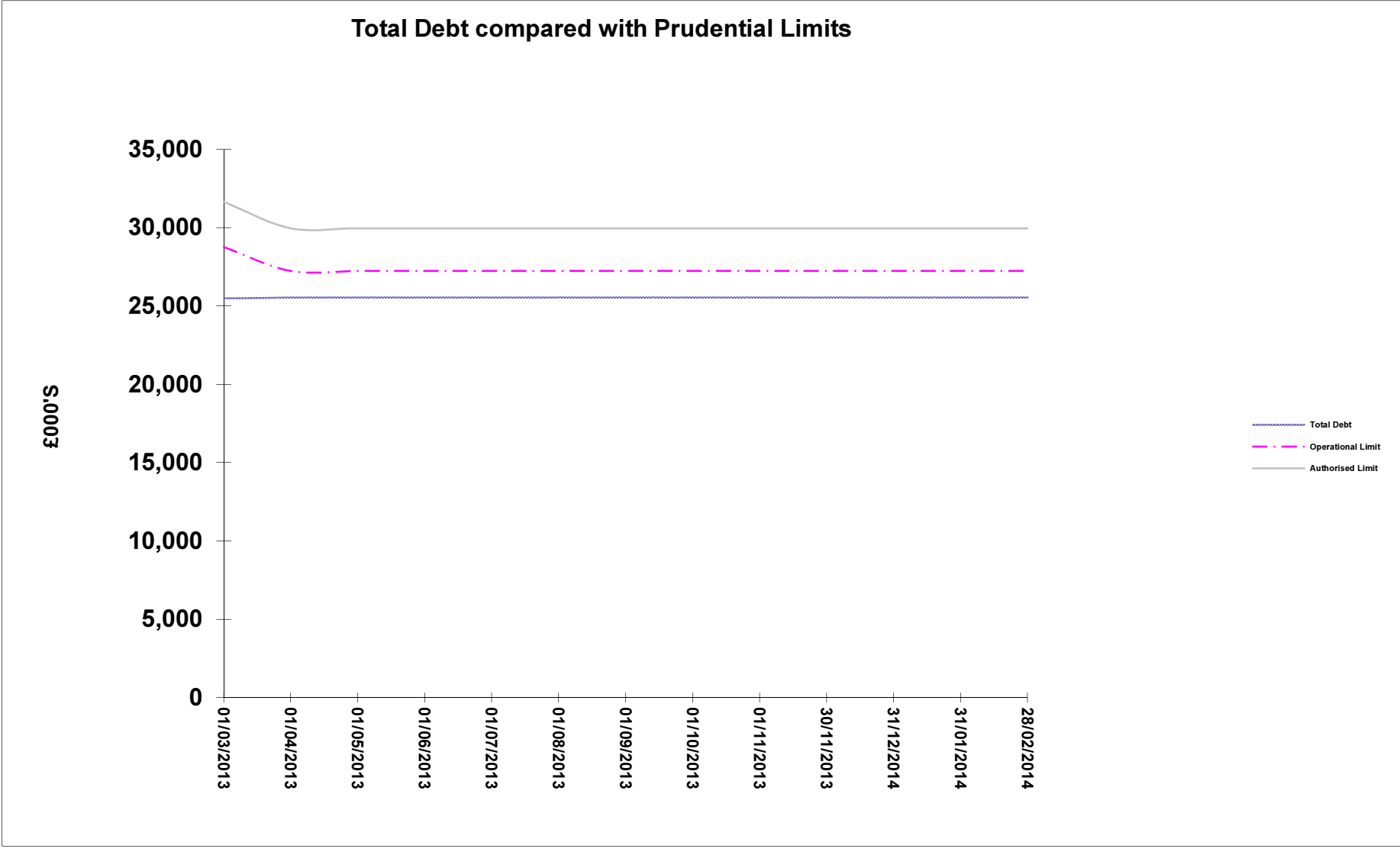
It is recommended that Members note the contents of this report.

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

None.

Peter Hurford
TREASURER TO THE FIRE AUTHORITY





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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

REPORT ON CURRENT PROJECT PROGRESS

Report of the Chief Fire Officer

Date: 4 April 2014

Purpose of Report:

To report to Members on the progress on various projects across the service.

CONTACT OFFICER

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Strategic Director of Finance and Resources

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1. BACKGROUND

- 1.1 The Authority has a number of projects running at any given time which impact upon the capital and revenue budgets of the Authority. As this meeting is taking place immediately after the year end, the Chair of Finance and Resources has requested that a progress report is brought to this committee.
- 1.2 In addition to projects which impact upon budgets, there are, of course, a number of other smaller activities which are managed as projects. These have not been included within this report.

2. REPORT

TRANSPORT

- 2.1 The new aerial ladder platform (ALP) which has been in procurement and build for approximately two years has now been delivered, fully commissioned, to the Training Department. Familiarisation and some cross training will take place before the vehicle is officially “on the run” but essentially this is a completed project.
- 2.2 A new Water Carrier has been designed, specified, and procured. This vehicle will be required in service before the summer and will provide the service with a large capacity water carrier that can transport and quickly discharge high volume of water to incidents where water is difficult to obtain such as open countryside. In addition, the higher volume pumps can also be used to supplement the pumping capacity of the ALP - if required.
- 2.3 Four Pumping Appliances are due for delivery shortly as the bodybuilding and stowage were being completed at E1 in early March. Orders are being placed for three pumps in 2014/15 but no further orders are being considered at this time due to possible changes to the fleet.
- 2.4 A new Flood Response Unit is expected to be delivered to the service by early June. This appliance is currently in build at Angloco.
- 2.5 It is unlikely that the new Environmental Protection Unit (EPU) and Breathing Apparatus Unit (BAU) will be delivered before the autumn. These vehicles use the chassis from the old aerial appliances (one of which has now been prepared for use) but the specification for the bodywork has yet to be completed. This will then need to be put out to tender and built.
- 2.6 The Command Support Vehicle has been through a number of evolutions of design due to changing requirements and the experience of crews using the smaller unit at Mansfield. This unit was originally brought into service following a Government specification which, in practice, has not really met the needs of the Service. This unit is still in the design stage and no specification has yet been agreed.

- 2.7 An Enhanced Logistical Support Vehicle (ELSV) has been provided by (Communities and Local Government) CLG but this will require some modifications and equipment to be fitted before being commissioned. This vehicle is one of a number procured by CLG as Command Support Units which proved unfit for purpose. These have been subsequently "free issued" to Fire and Rescue Services as ELSVs.
- 2.8 The service's fleet manager continues to assist with the development of a new national framework for the procurement of vehicles and tender evaluations will begin on 1 April 2014.

ESTATES

- 2.9 Although there are a number of pieces of work being done by the Estates Department, there are really only two major projects in progress at present and one repair project.
- 2.10 The sale of Central Fire station and its replacement by a new building on London road is progressing slowly. The police have yet to agree terms with the City Council over their relocation to Byron House and there remain some issues with one of the current tenants at the Gresham Works site.
- 2.11 The construction of the new Retford Fire Station is well underway with the structural steelwork now erected. This project is on target for delivery in October 2014.
- 2.12 The work that is being carried out at the SDC Fire House was originally programmed to cost approximately £100,000. Unfortunately, as the internal cladding has been removed, it has become clear that some of the concrete panels have been seriously damaged by fire. The extent of this is not yet fully known and neither are the likely costs of any remedial work.

INFORMATION COMMUNICATIONS TECHNOLOGY

- 2.13 The ICT Capital Budget has significantly underperformed in 2013/2014 due, in no small part, to the unavailability of staff resources that have been seconded to the Tri-Service Control project and the HR project. Nevertheless, despite showing underspends, both of these projects are making good progress and are expected to complete shortly.
- 2.14 A project for business automation was carried forward from 2012/2013 and has still made little progress partly for the reason outlined in 2.13 but also because the appointment of a new ICT Manager has brought with it a complete reassessment of the ICT strategy. There is no doubt that the plans for the expansion of Sharepoint and various other initiatives will spend against this budget but not in 2013/2014.

3. FINANCIAL IMPLICATIONS

The main financial implications are taken into account within the Capital Monitoring report elsewhere on this agenda but it is clear that a failure to perform against this capital budget will show up an underspend within the revenue support for it. Action has been taken to prevent this in future by taking a different view of the capital programme and only providing revenue support for part of the programme.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

6. CRIME AND DISORDER IMPLICATIONS

There are no known implications relating to crime and disorder arising from this report.

7. LEGAL IMPLICATIONS

There are no known legal implications arising directly from this report other than those mentioned in the main body of the report.

8. RISK MANAGEMENT IMPLICATIONS

There are no risk issues associated with this report that are not fully covered within the capital monitoring report.

9. RECOMMENDATIONS

It is recommended that Members note the content of this report.

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
Finance and Resources Committee

VALUE FOR MONEY

Report of the Chief Fire Officer

Date: 4 April 2014

Purpose of Report:

To outline the proposed programme for achieving and demonstrating Value for Money in 2014/15 and to report progress against the Value for Money Programme for 2013/14.

CONTACT OFFICER

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

1. BACKGROUND

- 1.1 Value for money (VFM) is obtained when an optimum balance is achieved between the “3Es”:

Economy is the price paid for what goes into providing a service, for example the cost of labour or materials;

Efficiency is a measure of productivity, or how much you get out in relation to what you put in;

Effectiveness is a measure of the impact achieved. This measure may be qualitative or quantitative. Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.

- 1.2 As a publicly funded organisation, the Fire and Rescue Authority has a duty to achieve value for money. As the Government’s austerity measures continue to take effect, our ability to use resources as efficiently and effectively as possible is more important than ever.
- 1.3 The Value for Money Programme is presented annually to the Finance and Resources Committee. This programme outlines how the Service intends to achieve value for money during the forthcoming year.

2. REPORT

Progress against the 2013/14 Value for Money Programme

- 2.1 A report was presented to the Finance & Resources Committee in April 2013 which set out the programme of work for 2013/14.
- 2.2 The Equipment Section was planning to achieve savings in the region of £20k over 2013/14 and 2014/15 by reducing the number of gas tight suits purchased as part of its replacement programme. Due to a change in operational use the replacement of gas tight suits has now been deferred until 2014/15 but the Equipment Manager still expects the savings to be achieved. As anticipated, the implementation of in-house collections of Holmatro kit has resulted in savings, however the plans to train technicians to carry out minor repairs to Holmatro kit have been put on hold until 2014/15 due to changes in personnel. During 2013/14 the Equipment Section has delivered procurement savings in excess of £25k without compromising on the quality or effectiveness of the products purchased. Examples include a 50% saving on new branches, a 40% saving on salvage sheets, a £6.4k saving on officers’ torches and a £6k saving on tools.
- 2.3 The trial carried out by the ICT and Finance Departments on the use of EzeScan software to automate invoice processing has been unsuccessful.

The ICT Department will now explore the possibility of trialling software that is specifically designed to work with the Agresso finance system.

- 2.4 The ICT Department still hopes to achieve savings by using PCs and multi-functional printers to send and receive facsimile mail, thus eliminating the need for fax machines and dedicated fax lines. The IT Development Officer has been tasked with looking at the fax service requirement, with a view to fax lines being removed by the end of the financial year. This is likely to reduce line rental costs by at least £9k per annum and will also produce savings relating to the purchase of consumables and the purchase and maintenance of equipment.
- 2.5 The upgrade of the wide area network (WAN) is due to be completed by the end of February 2014. It is predicted that the upgrade will generate ongoing annual savings of £17k, so the £43k installation costs will be recovered in less than three years. The upgrade will improve the performance and resilience of the network and this, together with plans to move to a Microsoft Volume Enterprise License, will enable the implementation of Microsoft Lync and the replacement of the existing telephony system with a modern Voice Over IP (VOIP) compatible system. The new VOIP compatible system will fully integrate with the existing Microsoft Active Directory, the new Exchange 2010 server and Lync 2010, and will provide a simple to use video and audio conferencing system and Lync instant messaging. This will reduce the need to travel for meetings and therefore reduce the associated costs and the environmental impact. The new telephone system will bring other benefits including free 'internal' telephone calls from one NFRS site to another, cost savings arising from the cancellation of existing PSTN and ISDN lines, increased security, and reduced email storage costs.
- 2.6 The Learning and Development Department has developed an internal course that enables all new operational supervisory managers to gain the Edexcel level 3 Award in Initial Incident Command. Approximately 40 staff will be attending this internal course during 2013/14 and 2014/15 instead of going to the Fire Service College as before. As the Fire Service College courses cost around £3k per person including travel and accommodation, the provision of this course internally will save around £120k over the two financial years.
- 2.7 The Procurement Team continues to achieve savings by various means including changing suppliers, re-negotiating with existing suppliers and sourcing substitute products. During the period from April 2013 to January 2014 the Team has delivered ongoing savings totalling £22.7k and one-off savings totalling £10.3k. It has been involved in numerous tenders, working with managers to ensure that value for money is achieved.
- 2.8 Managers are continuing to find ways to improve the efficiency of the Service by improving processes and securing procurement savings where possible, for example the retendering of the insurance brokerage contract has achieved savings of £7k. The Multi Activity Contract for estates maintenance and refurbishments has been in place for three years and, as the supplier is

now familiar with our requirements, the Estates Department has been able to reduce its expenditure on consultancy fees when planning refurbishments. The Estates Department also commissioned the services of an external specialist surveyor to examine business rates and appeal on our behalf. This has resulted in a one-off saving of £65k as well as ongoing savings.

Value for Money Programme 2014/15

- 2.9 A report was presented to the Fire Authority in February which set out the areas in which savings can be made in order to balance the revenue budget in the medium term. In addition to the items highlighted in this report, managers are continuing to seek savings in other areas, and to generally find ways to improve the efficiency and effectiveness of the Service wherever possible. This will be achieved by improving systems and processes to ensure that resources are being used as effectively as possible, and by securing good value for money when purchasing goods and services.
- 2.10 The implementation of the enhanced crewing model is due to commence in July. Initially the model will be piloted at Bingham and Worksop subject to satisfactory negotiation with the trade unions. This new crewing system will involve individuals providing immediate cover at these stations for 4 to 5 hours per day during peak hours, and providing on-call cover at other times. They will also work additional hours, either providing wholetime cover at a 'sister' station or carrying out any other activity which is deemed suitable. This will enable the wholetime establishment to be reduced. This model will therefore deliver the required levels of fire cover in these areas whilst also achieving cost savings.
- 2.11 Audits will be carried out on gas, electricity, water and phone charges to ensure that the Service is paying the correct amount for utilities. The Estates Department is commissioning a company called British Independent Utilities (BIU) to undertake an audit of gas and electricity charges. BIU will review all invoices from the last three years to look for evidence of overcharging and identify opportunities to recover revenue. They will also ensure that the suppliers are offering the most appropriate tariffs. Waterwatch UK will undertake an audit of water rates, looking for evidence of overcharging and ensuring that rateable values are correct. Similarly, the ICT Department is arranging an audit of phone bills from the past few years to ensure that the Service has not been overcharged. The Service won't incur any charges for these audits unless savings are made, as all three organisations operate on a "share of savings" basis.
- 2.12 There are plans for the Prince's Trust Teams to be run from fire stations instead of hiring rooms elsewhere. The Worksop and Sherwood Teams have already moved into Worksop station and Highfields station respectively, saving approximately £10k per annum. The Mansfield and Newark Teams will be moving into Mansfield and Newark stations in the summer, it is estimated that this will save an additional £13k per annum.

- 2.13 The Estates Manager is exploring opportunities to share premises with other organisations. It has already been agreed that East Midlands Ambulance Service will share four of the Service's sites, and they are considering sharing eight more. This arrangement will generate rental income, which will be partially offset by an increase in running costs at retained standalone sites. The running costs at wholetime stations will be largely unaffected. In addition to generating income, this could lead to closer working arrangements and present opportunities for further collaboration in the future.
- 2.14 There are plans for Nottingham City Council's Emergency Planning Team to rent accommodation at the new London Road fire station. As this means that the project to build the new station will fulfil the criteria of encouraging collaboration and improving local accountability, the Service may be able to bid for capital grant funding from central government.
- 2.15 The ICT Department has reviewed the Service's mobile phone requirement and is renewing the mobile phone contracts. It has undertaken a trial to identify which mobile devices are best suited to the needs of NFRS staff, and has categorised users into those requiring "talk & text", those requiring email capability, and those requiring smartphones. It is purchasing three new models of phone to meet these requirements, replacing the existing phones which had, in many cases, exceeded their intended operational lifespan. The purchase of the phones is to be partly funded by a "technology fund" which is provided by EE as part of the new phone contract. The contract itself gives better value for money, and has the potential to generate annual revenue savings of up to £23k provided that users stay within their allocated minutes of talk time. The Service is also switching the provider of the SIM cards used on fire appliances, and this is expected to generate annual savings of around £4k.
- 2.16 Office 365 E4 licenses will be purchased for the 115 users of Windows phones under the new Microsoft Volume Licensing Agreement. These licenses will enable users to install Microsoft Office on up to 5 devices and access a cloud-based server for email, chat, SharePoint and file storage. This will lead to more efficient mobile working. There is also the possibility that remote printing will be introduced for the users of mobile devices.
- 2.17 The Safecom printers currently used at Headquarters will be rolled out to stations. This will reduce printing costs and enable the supplier to remotely detect faults and monitor consumables, thus ensuring that problems are addressed promptly and effectively.
- 2.18 The Evaluation Officer is focused on developing and applying evaluation methods to training and risk reduction work, in order to deliver efficiency and effectiveness in these areas. The application of the SARA (Scan, Analyse, Respond, Assess) model to risk reduction work ensures that initiatives are effective and focused towards specific risk issues, which enables the development of clear measurable aims. The focus of future initiatives is influenced by the outcomes of the evaluation process, and lessons can be learned from those initiatives which have and have not been successful in

the past. The development of evaluation processes for training is still within its early stages. However NFRS consistently report upon attendees' reactions towards training courses, measuring perceived usefulness and relevance through the generation of both quantitative and qualitative data, in order to identify areas for improvement. Future work will focus upon developing methods to measure longer term outcomes.

- 2.19 The new mobilising system developed as part of the Tri-Service Control Project will deliver economy savings of £4k per annum through a reduction in maintenance costs compared to the current system.
- 2.20 The Supplies Manager is in the process of exploring options for collaborative procurement of certain goods, in partnership with Derbyshire Fire and Rescue Service. The intention will be to make economy savings, and details of the potential scale of these savings should become apparent as negotiations develop.

3. FINANCIAL IMPLICATIONS

The financial implications are contained in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no direct human resources or learning and development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report does not consider matters of policy. Equality Impact Assessments will be prepared as initiatives are developed.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

There are no risk management implications arising from this report.

9. RECOMMENDATIONS

It is recommended that Members note the contents of the report.

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
Finance and Resources Committee

INTERNAL AUDIT REPORT – CARDIFF CHECKS

Report of the Chief Fire Officer

Date: 4 April 2014

Purpose of Report:

To provide Members of the Finance and Resources Committee with the results of the internal audit work undertaken in relation to Cardiff Checks.

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1. BACKGROUND

- 1.1 Nottinghamshire County Council has provided an Internal Audit service to the Fire and Rescue Authority since its formation in 1998. The audits specified in the Annual Audit Plan for 2013/14 are now complete, with responses to the recommendations from the Chief Fire Officer being finalised. The Head of Internal Audit will provide an annual report covering the outcomes of all audits undertaken in 2013/14 to the July 2014 Finance and Resources Committee.
- 1.2 The Cardiff Checks audit is carried out every year and is effectively a “cradle to grave” audit of all aspects of procurement and finance relating to a small number of invoices selected as a random sample by members of the Finance and Resources Committee. As Members are directly involved in this audit, it is felt that they will have a particular interest in the audit findings, so the draft audit report is attached as Appendix A.
- 1.3 The full annual report from Internal Audit, which will be presented to Members at the next Committee, will include the final version of the Cardiff Checks report. This is not expected to be different from the draft report shown at Appendix A.

2. REPORT

- 2.1 On 11 October 2013, the Finance and Resources Committee was presented with a live view of the Authority’s finance and procurement system (Agresso). A report was run in Agresso in real time, which enabled Members to see the transaction numbers of the hundreds of invoices and expenses claims paid over the year to date. Members selected ten transaction numbers and were then provided with a report showing the ten transactions either side of the original numbers selected – a total of 200 payments. Further detail of each payment was provided e.g. the payee name, the amount and a description of the goods or services paid for. From this detail Members selected five invoices of interest to them.
- 2.2 The five invoices selected were passed to Internal Audit, who selected three of these for detailed scrutiny. The audit work included a check that all relevant financial and procurement policies, processes and checks were carried out in respect of each of the selected transactions.
- 2.3 The report attached at Appendix A gives the findings of the auditor and makes a number of recommendations. The Authority’s responses to the recommendations are also shown and have recently been returned to Internal Audit. Although the report is marked as “draft”, the final report including responses will be issued in due course.
- 2.4 Invoice number 1 was an employee’s travel expense claim and Members will see that all relevant procedures were followed correctly and no recommendations were made by Internal Audit.

- 2.5 Invoice number 2 was for fire hydrant maintenance. In this case, all relevant procedures were followed except that a purchase order was raised after the service had been received rather than in advance. The reason for this is that it is not known in advance which orders will be chargeable to the Authority and which will be the responsibility of the water authority, however the result is that financial commitments relating to work requested are not shown in the finance system, which makes it more difficult to monitor the budget (the annual budget is £60k). A review of processes will be undertaken by the Finance Department and the budget manager within the next few months to see if this issue can be resolved.
- 2.6 Invoice number 3 was for a monthly Airwave / Firelink service recharge from the Department for Communities and Local Government (DCLG). There were two audit recommendations for this invoice: the first was that accruals should be made for services received in one financial year but paid for in the following year; the second was that consideration should be given as to how charges can be checked.
- 2.7 Members will see from the response given to the first recommendation that the Authority's accounting policy for accruals was followed in respect of this invoice and therefore no management action is required. The second recommendation is more problematic, as the only check which can be carried out is that the Service's monthly radio usage is within the monthly allowance and this already happens. The contract is between Airwave and DCLG so the Authority is relying on DCLG to check that charges are in line with the contract and correctly allocated to the Authority. There is, however, an element of assurance to be gained from the following:

DCLG funds approximately 60% of the Airwave / Firelink annual cost by way of a specific grant to the Authority;

DCLG officers do communicate about financial issues relating to the contract;

there is strategic oversight of the Airwave contract by the Chief Fire Officers' Association (CFOA).

Members may be aware that there is a national Government project currently underway to procure a replacement for Firelink.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report, other than those around financial processes.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no direct human resources or learning and development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report does not consider matters of policy. Equality Impact Assessments will be prepared as initiatives are developed.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

Internal Audit forms part of the wider system of internal control which deals with the Authority's exposure to financial and, to some extent, non-financial risk. The recommendations made by Internal Audit are aimed at ensuring that effective risk controls are in place.

9. RECOMMENDATIONS

It is recommended that Members note the contents of this report.

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

None.

John Buckley
Chief Fire Officer

FIRE & RESCUE SERVICE - CARDIFF CHECKS 2013/14

Invoice 1 Travel and expenses claim for a non-uniformed employee.

1. Invoice Information

- 1.1 This payment was in respect of travel expenses for the month of May 2012, claimed by a training manager.
- 1.2 The claim consisted of 420 miles (reimbursed at 65p per mile = £273).
- 1.3 The claim had been signed by the claimant and countersigned by the head of department.
- 1.4 The claim was paid on 17th July 2012 and each element of cost was coded to a relevant account code.

2. Summary of Findings

- 2.1 The claim was completed correctly and recorded details of journeys undertaken including destinations and business purpose.
- 2.2 The mileage rate claimed was correct and agreed with the effective NJC car allowances.
- 2.3 The calculation of NIC and taxable benefits for this employee was correct (20p per mile is taxable as it exceeds HMRC's 45p per mile limit).
- 2.4 Online authorisation of the claim in the NFRS Agresso Finance system was undertaken by the claimant who is also the budget holder. Reliance is placed upon the prior authorisation of the claim by the head of department.

3. Recommendations

- 3.1 None.

4. Response of the Chief Fire Officer

- 4.1 No response required.

Draft

FIRE & RESCUE SERVICE - CARDIFF CHECKS 2013/14

Invoice 2 **Maintenance of Fire Hydrant.**

1. Invoice Information

- 1.1 This payment was in respect of maintenance work on a fire hydrant undertaken by the local water authority and was for £275.60 including VAT.
- 1.2 Confirmation of goods received was registered on 10th July 2012 by the budget holder.
- 1.3 The invoice was paid on 10th July 2012 and was coded to the correct account code.

2. Summary of Findings

- 2.1 The Fire Services Act 1947 and the Water Act 1991 govern the provision of water to the fire authority. Terms and conditions are contained in the model agreement which the authority has with the local water authority, in this case Severn Trent.
- 2.2 Hydrants remain the property of the water authority and the fire service adopts those it requires on the basis of risk, size of water main and distance from nearest adopted hydrants in the area. The fire service monitors and undertakes basic maintenance of the adopted hydrants but if the work required on a hydrant at the time of inspection is outside their remit it is passed to the water authority for action.
- 2.3 Details of all hydrants in the area and all work undertaken internally and ordered from the water authority are recorded on the Fire Hydrant Management system (FHM). Monitoring of progress and confirmation of satisfactory completion of work is recorded within FHM. Details are not entered on the NFRS financial system (Agresso) until an invoice for those works confirmed as completed is received from the supplier. At this point an order is raised on Agresso, the invoice is approved for payment by the budget holder and forwarded to Finance for entry onto Agresso. The budget holder then GRNs the invoice and the payment is processed on the next BACS run.
- 2.4 We were advised a decision not to raise orders on Agresso at the time the order was raised on FHM is based on the fact that some orders will not be chargeable to NFRS. Details of which will be non-chargeable are not known at the point of ordering the work e.g. if the work is not completed promptly the water authority may bear the cost.
- 2.5 Because details of the works ordered (on Form N1 recorded on FHM) are not entered on Agresso until after work has been completed, NFRS financial commitments will be under reported at the end of any accounting period.

3. Recommendations

- 3.1 An analysis of the volume and value of non-chargeable works should be undertaken to decide whether the current process has a material impact on the accounts. If it does, consideration should be given to raising orders on Agresso when the work is commissioned and then deleting those orders which become non-chargeable.

Draft

4. Response of the Chief Fire Officer

- 4.1 An analysis will be undertaken, as recommended, to determine the most appropriate process to use in the future. This will be completed by 31 July 2014.
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Draft

FIRE & RESCUE SERVICE - CARDIFF CHECKS 2013/14

Invoice 3 **Airwave/Firelink Service recharge**

1. Invoice Information

- 1.1 This payment was for the Airwave project which provides the Firelink radio service to fire vehicles and was for £36,125.39 including VAT.
- 1.2 The invoice was approved by the budget holder on 24th May 2013.
- 1.3 The invoice was paid on 4th June 2013 and posted to the correct account code.

2. Summary of Findings

- 2.1 The Firelink service is provided by the Airwave Company via a contract negotiated and managed by the Department for Communities and Local Government. The DCLG pay the Airwave invoice on behalf of all English Fire & Rescue authorities then recharge each authority on a pre-agreed basis for the cost incurred.
- 2.2 The invoice is dated 10th May 2013 for services provided in March 2013.
- 2.3 As the invoice refers to a recurring service it is a non-order invoice and is directed to the Budget Holder for authorisation rather than using the Goods Received Process within the Agresso finance system.
- 2.4 The invoice was entered on Agresso on 17th May 2013 and was approved by the Budget Holder on 24th May 2013. Because the invoice exceeded £10,000 it was forwarded for further approval to Finance. Financial approval was recorded on 25th May 2013.
- 2.5 As the invoice related to service provided in financial year 2012/13 but was paid in 2013/14 an accrual should have been made to ensure the accounts accurately reflected NFRS commitments. No accrual was raised.
- 2.6 Although monitoring of the service is undertaken in terms of operational performance, this information is not routinely reported to the approver of the invoice. There is no check that the charges raised are in line with the contract between Airwave and the DCLG as the fire service does not have access to all the data required to recalculate the charges. Reliance is placed upon the DCLG to undertake this check and then calculate the recharges accurately.

3. Recommendations

- 3.1 An accrual should be made for goods and services received in one financial year but not paid until the next financial year.
- 3.2 Consideration should be given to how the charge made can be checked and confirmed to be correct.

Draft

4. Response of the Chief Fire Officer

- 4.1 Although this invoice was not accrued for in 2012/13, there were 12 months' of charges in both 2012/13 and in the previous year. This complies with the Service's accounting policy for accruals, which allows for certain recurring items to be accounted for in the year that they are paid. The year-end closedown process includes procedures for invoice processing which ensure that "cut-off" is checked for all invoices valued over £5k which are received after the 1st April but relate to the year ended 31st March.
- 4.2 As indicated in paragraph 2.6 above, there are difficulties in checking certain aspects of DCLG / Airwave invoices. Currently, the Station Manager, Control checks radio usage monthly to ensure that the Service is keeping within its usage allowance. Provided that the allowance is not exceeded (it has not been exceeded thus far) then the monthly charge is a consistent amount. The Head of ICT, who is the budget holder, and the Station Manager, Control have agreed to meet regularly going forward to review radio usage and the charges relating to usage.
- 4.3 The Department for Communities and Local Government holds contractual information and so reliance is placed on their checking of the charges. When there are changes, DCLG do notify the Service in advance. As an example of this the Service has been notified by DCLG that they are in dispute with Airwave over indexation of the costs, and that pending resolution of the dispute Authorities should accrue for the indexation increase, which will be reflected in an increase to grant funding in due course (approximately 60% of the annual Airwave cost is funded by a specific Government Grant). Although this is not an ideal situation, this is the best that can be done with a Government managed contract, but there is some assurance arising from strategic oversight of the Airwave contract by the Chief Fire Officers' Association (CFOA).
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