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

Date: Friday, 16 January 2015 **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	**DECLARATIONS OF INTERESTS**	
2	**MINUTES** Of the meeting held on 10 October 2014 (for confirmation).	3 - 6
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9 EXCLUSION OF THE PUBLIC
To consider excluding the public from the meeting during consideration of the remaining 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 outweighs the public interest in disclosing the information

10 PROPOSED DISPOSAL OF LAND AT MANSFIELD 65 - 72
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Report of Chief Fire Officer

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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http://committee.nottinghamcity.gov.uk/mgListCommittees.aspx?bcr=1

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 10 October 2014 from 10.00 am - 10.45 am

Membership

Present	Absent
Councillor Malcolm Wood (Chair)	
Councillor John Allin	
Councillor Chris Barnfather	
Councillor John Clarke	
Councillor Gordon Wheeler	

Colleagues, partners and others in attendance:

Councillor Brian Grocock	present as an observer
Kate Buckley	Internal Audit Nottinghamshire County Council
Neil Timms	Strategic Director of Finance and Resources
Peter Hurford	Treasurer to the Nottinghamshire and City of Nottingham Fire and Rescue Authority
Carol Jackson	Governance Officer, Nottingham City Council

12 APOLOGIES FOR ABSENCE

None

13 DECLARATIONS OF INTERESTS

None

14 MINUTES

The Committee confirmed the minutes of the meeting held on 11 July 2014 as a correct record and they were signed by the Chair.

15 REVENUE AND CAPITAL MONITORING REPORT TO AUGUST 2014

Neil Timms, the Strategic Director of Finance and Resources, presented the Chief Fire Officer's report on the financial performance of the Service in the year 2014/15 to the end of August 2014, analysing the significant variances against the original programme. The key points drawn to the Committees attention were;

- the total revenue budget for 2014/15 is £42.892 million and the forecast outturn variance at this stage is an under spend of £621,000, which represents an overall variance of 1 %. However, there are still seven months of the year to go, during which time many factors could influence the final outturn;

- the capital programme for 2014/15 of £4.364 million was approved by members at the full Fire Authority meeting and to this has been added a budget of £1.091 million for the remaining expenditure expected on the Tri-Service Control and Mobilising system for which a capital grant was received in 2012/13. In addition slippage from 2013/2014 has added a further £5.542m to create an overall programme of £10.997m.

RESOLVED to note the report;

16 PRUDENTIAL CODE MONITORING REPORT TO 31 AUGUST 2014

Peter Hurford, Treasurer to the Nottinghamshire and City of Nottingham Fire and Rescue Authority, presented his report informing the Committee of performance to 31 August 2014 relating to the prudential indicators for capital accounting and treasury management.

RESOLVED to note the report.

17 INTERNAL AUDIT REPORTS

Neil Timms, the Strategic Director of Finance and Resources, presented the Chief Fire Officer's report bringing to the attention of Members three reports prepared by the Authority's Internal Auditors. Neil Timms introduced Kate Buckland of Internal Audit, Nottinghamshire County Council, who commented on the three areas;

- fixed asset data migration – the Auditors have been able to provide a substantial level of assurance as to the accuracy of the data transferred and have made one recommendation about the recording of old asset numbers in the new system to enable the audit trail between the old asset registers and the new system to be strengthened. This has been done;

- ICT Strategy – the auditors are generally complimentary about the strategy and arrangements but have made a series of medium risk recommendations and these are being addressed;

- Business Risk Management follow up – this confirms that all previous recommendations have been implemented and a reasonable level of assurance is provided by the Auditors.

The Chair thanked Kate Buckland for her attendance.

RESOLVED to note the report.

18 OCCUPATIONAL ROAD RISK

Neil Timms, the Strategic Director of Finance and Resources, presented the Chief Fire Officer's report following up on the report which had been brought to this Committee on 11 July 2014 looking at the work being undertaken to manage the risk to the Authority posed by at-work driving activity. Members requested a report on the Service's motor insurance accident history including a comparison of the Service's approach to driver training with that of other Fire and Rescue services. The publication of the report has attracted a lot of local media interest.

The key statistics revealed by the statistical analysis of motor accident data are;

- there has been a decrease in the total number of accidents over the last seven years of 20%, primarily due to a decrease in blue-light accidents of 40%. However, there has been an increase in accidents under normal road conditions of 35% over the same period;

- between 2007-2014, in relation to blue-light driving, 90% accidents were the driver's own fault whereas in normal road conditions, 79% of accidents were the driver's own fault;

- the most frequently occurring accidents, both under blue-light and normal driving conditions, involve manoeuvring, whether negotiating tight gaps or undertaking vehicle movements in or around the station;

- where large scale losses have occurred, the principal causative factor has been the inappropriate use of speed;

- the Area Manager, Service Delivery, and the Business Risk Manager are currently investigating how driver training can be used to facilitate improvement with a view to reducing the number of accidents and driving down insurance premiums and repair costs;

In the discussion which followed, Members were in agreement that action needs to be taken to reduce the number of accidents and requested that the Road Risk Group be tasked with formulating an action plan setting out proposals and bringing it back to this Committee at its next meeting on 16 January 2015.

RESOLVED

(1) to note the measures being taken to reduce the Authority's exposure to the risks associated with at-work driving;

(2) that the Road Risk Group bring an action plan back to this Committee at its meeting on 16 January 2015.

19 NOTTINGHAMSHIRE FIRE AND RESCUE SERVICE PROPERTY STRATEGY

Neil Timms, the Strategic Director of Finance and Resources, presented the Chief Fire Officer's report presenting the Nottinghamshire Fire and Rescue Service Property Strategy for approval. Once adopted, the Property Strategy will replace the current Sustainable Capital Plans 2008.

Ian Pritchard, Head of Procurement and Estates explained to Members that the Strategy is aimed at providing a flexible framework in which the NFRS Estate will be developed into the future. It is intended to provide the agility to accept the constantly changing environment and to be able to adapt to both internal and external influences. The planning process will include consideration of any existing or future potential for estate rationalisation and for maximising the use of any existing building stock before building any new facilities. This will include considering dual use of buildings or part of buildings to ensure the effective use of assets e.g. meeting rooms for training and community use.

RESOLVED to accept the Property Strategy set out at Appendix A of the report.

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

REVENUE AND CAPITAL MONITORING REPORT TO NOVEMBER 2014

Report of the Chief Fire Officer

Date: 16 January 2015

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2014/15 to the end of November 2014. This report focuses on those key areas where outturn variances are likely to occur.

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1. BACKGROUND

1.1 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 is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities.

1.2 For this report, those key areas with a higher risk of significant variance are reported on. An assessment of this risk has been made in the light of the size of the budgets selected and / or previous experience of variances, as well as the emergence of actual variances.

1.3 In this financial year, the overall revenue budget is at its lowest level since 2007/08 and it is more important than ever that an overview of the budgetary position during the year is maintained so that appropriate action can be taken in respect of significant variances and the budget is managed as a whole.

2 REPORT

REVENUE BUDGET

2.1 **Headlines:** The total revenue budget is £42.9m, and the forecast outturn variance at this stage in the year is an underspend of **£290k**, which represents an overall variance of 0.67%. It is important to emphasise that this is the position as at the end of November, with 4 months of the year still to go, during which a lot of factors could influence the final outturn.

The net cost of industrial action by the Fire Brigades Union for 2014/15, as reported in the finance system, is **£442k.** These costs are shown “below the line” in the table in paragraph 2.21 as there is no budget to cover this expenditure and the overspend will be funded from General Reserves if required. The forecast underspend of £290k therefore excludes the impact of industrial action.

2.2 **Wholetime Pay:** the variance to date is a £365k underspend. An estimated outturn underspend of **£245k** is anticipated at this stage and this is due to a number of reasons: the number of employees on development rates of pay is higher than assumed in the budget (causing an underspend), the number of employees in a pension scheme is lower than assumed in the budget (causing an underspend) and although the total number of wholetime employees is in line with the budgeted establishment, there are vacancies for some roles and over-establishment for other roles. This means that pre-planned overtime is being used to maintain crewing (causing an overspend). It is assumed that the pre-planned overtime will **not** continue for the estimated outturn, but expenditure to date on pre-planned overtime is £139k. An element of contingency is built into the wholetime pay budget to cover either temporary over-establishment or a requirement to maintain crewing, so the net result is an overall forecast underspend at this stage.

2.3 An assumed pay award of 1% has been built into the forecast outturn and it is assumed that there will be no new trainees this year, with any retirements or resignations replaced with transfers in or Retained migration. The removal of one wholetime and one retained appliance, as approved by the Combined Fire Authority on 26 September 2014, will lead to further underspends later this year as the number of occupied posts falls below the budgeted establishment. This managed underspend will translate into budget reductions in 2015/16.

2.4 **Retained Pay:** In 2013/14, the Retained pay budget underspent by a total of £338k and the 2014/15 budget has been reduced by £200k. The current position is an underspend to date of £206k**.** There is a projected outturn underspend of around **£244k** at this stage. This under spend does not contain the net costs to date for the industrial action of £208k (see paragraph 2.1).

The Retained call outs for the current financial year are 1,524 compared to the same period 2013/14 of 1,792.

2.5 **Administrative and Support Staff Pay:** the forecast variance for administrative and support staff is expected to be a **£344k** underspend (including the Princes Trust forecast underspend referred to below). This is due either to some instances where employees are working fewer hours than their established FTE or to establishment vacancies which are assumed to be continuing throughout the year due to the current recruitment freeze.

2.6 **Pension Strain:** no budget has been set aside to cover the costs of pension strain arising from phase 2 voluntary redundancies occurring at the end of 2013/14 and in 2014/15. It is estimated that up to £163k will be charged to the revenue budget in 2014/15, with further costs likely to fall in 2015/16. This is now reported as an outturn overspend of **£158k**. The overspend could be covered by the pensions earmarked reserve, however this reserve will also be required to fund an increase in ill health charges so it has been assumed that the pension strain overspend will remain.

2.7 **Prince’s Trust:** as previously reported, the budget for this activity was recalculated and presented in summary to the Policy and Strategy Committee in April, showing an annual deficit of £92k. The Princes’ Trust Manager has already sought to make further savings and it is felt that the activity could run this year at a deficit of **£86k** per annum. CMB has approved virements to correct the budget in line with Members’ decision to continue running the activity at a deficit for the time being.

2.8 The Princes' Trust expenditure budgets are showing an underspend to date of around **£33k**. Most of this relates to pay, and is due to a maternity leave earlier in the year, as well as changes in the staffing structure part way through the year.

2.9 A substantial amount of Princes' Trust income due for the 2013/14 financial year had not been received as at 31st March 2014. This income, amounting to £338k, has been accrued for in 2013/14 in anticipation of the income being received in 2014/15. So far £223k has been received in the current year relating to 2013/14, and a further £85k is also expected to be received from the Colleges in respect of last year's teams. The Princes' Trust Manager is progressing the documentation required to trigger the payments.

2.10 For the first two tranches of teams which have run in the financial year it is clear that there will be a shortfall in budgeted income amounting to around £55k. This is mainly due to the proportions of students recruited in each age group being different from those budgeted as well as the total numbers recruited being lower than budgeted. If this continues, then it is reasonable to assume that there will be a shortfall in income of around **£82k**, and this is reflected in the forecast outturn.

2.11 The net variances explained above will increase the budgeted deficit of £86k, resulting in a forecast total deficit for the activity of £135k. This forecast will be updated as the year continues, and assumes that all other budgeted assumptions for the remainder of the year remain valid.

2.12 **Fleet Maintenance:** some of the appliances in the fleet have suffered metal erosion of the flow meter and pump casings. The causes of this are being investigated but it is thought to be due to the way bulk foam is being used. Initial indications are that repairs and labour will amount to around **£40k**, which cannot be contained within the fleet maintenance budget for planned and ad-hoc works to the fleet.

2.13 **Premises:** The Service benefited from some successful rateable value appeals last year, with rebates received during 2013/14. The budget was set prior to these appeals being concluded, so a further underspend is anticipated for the current year of around **£37k**. In addition the Energy budgets are anticipated to under spend by **£54k** at the stage; this will be reviewed as the year progresses. Orders have been placed for backlog maintenance works, an earmarked reserve will be used to fund any over spends.

2.14 **Insurance:** Overall, the insurance premium budget is expected to overspend this year by **£22k**, following the insurance tender earlier this year. The premiums paid include a low claim rebate, so there is a possibility that this position may worsen if more claims are processed than expected by the insurers.

2.15 **Supplies and Services:** During the budget process a generic savings budget was set aside of £50k, it is anticipated that this budget will not be spent resulting in an underspend of **£50k**. Offsetting this are a number of budgets with small overspends anticipated for various reasons.

2.16 **Support Services:** is overspent by **£100k** due to an anticipated additional compensation payment being made in relation to the sale of Dunkirk Fire Station legal case.

2.17 **Earmarked Reserves**: Two contributions to earmarked reserves have been agreed by the Corporate Management Board. The first is a contribution of £200k to cover potential NFRS costs arising from developments in communications. The second is a contribution of £80k to top up the pensions earmarked reserve for future ill health charges. The total contribution of **£280k** is shown within “Other Income” in the table in paragraph 2.21.

2.18 In addition to this approval is sought to rationalise a number of smaller earmarked reserves into a single earmarked reserve of £200,000 to support the transition to a joint control room.

2.19 **Industrial Action:** The net expenditure to the end of November was **£442k** with not all costs yet reported. There is no budget for industrial action therefore all net expenditure will be an overspend against the budget. Currently, the **£442k** is not shown as an outturn overspend, for information, the total net cost of industrial action in 2013/14 was £140k.

2.20 **Depreciation and Impairments**: This budget is showing a surplus of income as no budget was set for the sale of vehicles. To date two vehicles have been sold, resulting in a surplus of **£6k**.

2.21 **Capital Financing Costs:** The underspend of **£239k** this year has occurred due to the voluntary MRP charge of £1m in 2013/14 which was not known at the time the 2014/15 budget was calculated, plus the underspend of £1.6m on the 2013/14 capital programme.

2.22 The table below shows the position of the revenue budget as at the end of November 2014.

Budget Monitoring Report for November 2014

	Annual Budget	Budget Profile to Nov 2014	Actual including Commitments to Nov 2014	Variance to Nov 2014	Forecast Outturn	Outturn to Budget	Outturn to Budget
	£k	£k	£k	£k	£k	£k	%
Employees	**34,036**	**22,475**	**21,921**	**-554**	**33,372**	**-664**	**-2**
Premises-Related Expenditure	**2,366**	**1,476**	**1,429**	**-47**	**2,293**	**-73**	**1**
Transport-Related Expenditure	**1,935**	**1,277**	**1,248**	**-29**	**1969**	**34**	**0**
Supplies & Services	**3,690**	**2,406**	**2,518**	**112**	**3,777**	**87**	**2**
Third Party Payments	**125**	**79**	**140**	**60**	**153**	**28**	**0**
Support Services	**199**	**80**	**176**	**97**	**299**	**100**	**0**
Depreciation and Impairment Losses			**-6**	**-6**	**-6**	**-6**	**No Budget**
Sales Fees & Charges	**-122**	**-73**	**-142**	**-68**	**-104**	**18**	**0**
Other Income	**-1,642**	**-952**	**-222**	**731**	**-1,215**	**426**	**0**
Capital Financing Costs	**2,304**	**374**	**374**		**2,065**	**-239**	**0**
	42,892	**27,142**	**27,436**	**294**	**42,602**	**-290**	**0**
Net Industrial Action Costs	**-**	**-**	**442**	**442**			**No Budget**

CAPITAL PROGRAMME

2.23 A capital programme for 2014/15 of £4,364k was approved by Members and to this has been added a budget of £1,091k for the remaining expenditure expected on the Tri-Service Control and Mobilising system for which a capital grant was received in 2012/13. This brings the total capital programme budget for the year to £5,455k.

2.24 There was a significant amount of slippage in the 2013/14 capital programme and the budget for this has been approved by the CFA and carried forward and added to the 2014/15 capital programme. The amount of slippage was £5,542k. In total this then gives an estimated available capital budget of £10,997k for the year. The total spend to date is £2,829k, however orders have been placed for £890k mainly for Rescue Pumps (£539k), Light Vehicles (£112k) and the Telephony System (£168k). The Strategic Director of Finance and Resources has undertaken a detailed review of the current capital programme with its associated funding and capital budget holders have reviewed the estimated outturns on the capital projects - these are reported in the table in paragraph 2.32, giving a forecast outturn of **£5,878k**.

2.25 Two capital grants have already been received: the grant for the Tri-Service Control and Mobilising system (£1,091k remaining) and the general capital grant of £1,087k. The capital receipts reserve holds some £2,135k arising from the sale of assets over the past two years. In addition, three vehicles have been sold this year, resulting in capital receipts totalling £6k. These monies will be used first to finance the capital programme, with remaining expenditure to be financed by a combination of unused borrowing, cash generated by the minimum revenue provision charge and new borrowing if required of up to £5,250k as approved within the Authority's Prudential limits.

2.26 **Transport:** Three further appliances scheduled for the current year should be completed during the first quarter of 2015. Two special appliances included within the 2013/14 capital programme are now fully built and due to go into service shortly – these are the aerial ladder platform and the water / foam unit. A review of light vehicle utilisation and provision has been done and meetings have taken place (or are scheduled) to ascertain if fleet reductions can be made in some departments. As a result only limited new light vehicle procurement is currently underway with other scheduled acquisitions awaiting the outcome of any structure changes. When these outcomes become known an update will be given regarding the number of vehicles to be purchased this year and associated costs. At the time of this report 5 new vehicles are on order for the Trading Company (£112k). In addition the aerial ladder platform appliance at Mansfield is now in need of a new body to take it through to disposal and an outline quotation for this work is awaited.

2.27 **Equipment:** The radios currently in use on the incident ground are now many years old and are planned to be replaced this year. The specification is now complete and out for tender.

2.28 **Estates:** The rebuilt Retford Fire Station is now complete and occupied, with the temporary station vacated ready for stripping out and returning to the landlord sometime early 2015. Early indications show that the project will be coming in under budget to the extent of around £50k. Upon completion of the final account this will be reported to Members. The new London Road Fire Station: it is hoped that land can be purchased on which to build the new fire station this year in order to maintain the project programme for occupation of the new station by spring 2016. The land purchase has been subject to delays outside of the Authority's control and has impacted on the ability to commence the station rebuild project. Expenditure will take place on professional fees this year leading up to the letting of the contract to build the replacement for Central Fire Station. In addition, a number of plans for rebuilding or refurbishing some of the older fire stations will be developed – for now the cost of these plans is shown in the outturn, although whether or not the costs will be capital or revenue depends upon whether or not the plans contribute directly to a capital project. If the costs are treated as revenue costs, then they will be financed from the capital earmarked reserve. The outcome of the plans will be reported in due course for decisions on future major property projects.

2.29 **ICT:** In addition to the usual equipment replacement programme, there are two key projects taking place in 2014/15: the replacement of the telephone system and the replacement of the storage area network, both of which are expected to complete within the year. Orders have been placed for the telephone system amounting to £168k. The project to implement CFRMIS Online Services is in progress and the Business Process Automation project will cover a range of developments, some of which will be done this year. An estimated outturn for these two projects is not yet available as further decisions need to be made which will affect project expenditure. The purchase of a Microsoft Enterprise Licence was completed in 2013/14 and treated as revenue expenditure, so this capital budget is not required.

2.30 **Human Resources:** the project to implement a replacement HR system went live in May for core aspects of the system. Phase two of the project is now underway. The total capital budget for this project was £527k spread over three years and to date £311k has been spent. An outturn underspend of £100k on the whole project is now forecast, with **£168k** likely to be underspent by the end of this year.

2.31 **Tri-Service Control:** the project to implement a Tri-Service Control and mobilising system has suffered some delays but is currently due to go live later this year. It is assumed that the system will go live by the end of March 2015 and the whole of the outstanding project sum will be accounted for as expenditure in the current year with the exception of any unspent contingency.

2.32 **Finance:** a project to replace the current payroll system is in the planning phase and work has commenced, however the costs will fall into 2015/16.

2.33 The table below shows the position of the capital programme as at the end of November 2014:

CAPITAL PROGRAMME	2014/15 Approved Budget £000's	Estimated 2013/14 Slippage £000's	2014/15 Virements £000's	2014/15 Revised Budget £000's	Actual to November £000's	Remaining Budget to be Spent £000's	Estimated Outturn £000's	Estimated Outturn Variance £000's
TRANSPORT								
Rescue Pump Replacement	910	670		1,580	1,038	542	1,327	-253
Special Appliances		568		568		1,235	116	-452
Appliance Equipment (radios)	36			36		36	0	-36
Light Vehicle Replacement	138	369		507		431	112	-395
	1,084	**1,607**	**0**	**2,691**	**1,116**	**1,575**	**1,555**	**-1,136**
EQUIPMENT								
Radio Replacement	250			250		250	250	
	250	**0**	**0**	**250**	**0**	**250**	**250**	**0**
ESTATES								
Retford Fire Station Rebuild	0	800	996	1,796	1,337	459	1,746	-50
Central Fire Station Rebuild			232	232	173	59	322	90
Central Fire Land Purchase		411	189	600		600	0	-600
Refurbishment and Rebuilding	2,310	1,984	-1,567	2,727		2,727	0	-2727
Feasibility Plans			150	150		150	75	-75
Retention Payments:								
- Blidworth FS		25		25		16	15	-10
- Edwinstowe FS		31		31		30	20	-11
- Sustainable Technology Project		15		15	1	14	1	-14
	2,310	**3,267**	**0**	**5,577**	**1,522**	**4,055**	**2,179**	**-3,397**
I.T. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30			30		30	30	
Business Expansion	25	6		31	19	13	31	
Replacement Equipment	85			85		85	85	
Microsoft Enterprise Software Licences	200			200		199	0	
Telephone PABX Replacement	250			250		231	225	
SAN & Back Up Replacement	100			100		100	100	
Microsoft Infrastructure			7	7	15	-8	7	
Business Process Automation		345	-7	339	25	314	25	
CFRMIS Online Services		47		47		47	0	
	690	**398**	**0**	**1,088**	**78**	**1,011**	**503**	**-585**
HUMAN RESOURCES								
HR System Replacement		270		270	78	193	102	-168
	0	**270**	**0**	**270**	**78**	**193**	**102**	**-168**
CONTROL								
Tri-Service Control & Mobilising System	1,091			1,091			1,034	-57
	1,091	**0**	**0**	**1,091**	**36**	**1,055**	**1,034**	**-57**
FINANCE								
Payroll System Replacement	30			30		30	0	-30
	30	**0**	**0**	**30**	**0**	**30**	**0**	**-30**
Grand Total	**5,455**	**5,542**	**0**	**10,997**	**2,829**	**8,168**	**5,878**	**-5,118**
To Be Financed By :								
Capital Grant - General	-1,088			-1,088	-1,088			
Capital Grant - TriService Control	-1,091			-1,091	-1,091			
Capital Receipts	-2,385			-2,385	-2,289			
Unused Borrowing b/f		-910		-910	0			
New Borrowing		-2,793		-2,793	0			
Internal Financing	-891	-1,839		-2,730	-1,314			
Total	**-5,455**	**-5,542**		**-10,997**	**-5,878**			

3. FINANCIAL IMPLICATIONS

The financial implications are set out in 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 directly 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.

9. RECOMMENDATIONS

9.1 That Members approve the proposals in respect of earmarked reserves set out in paragraphs 2.17 and 2.18 above.

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

PRUDENTIAL CODE MONITORING REPORT TO 30 NOVEMBER 2014

Report of the Treasurer to the Fire Authority

Date: 16 January 2015

Purpose of Report:

To inform Members of performance for the two month period to 30 November 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 set 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 2014/15 at its meeting on 28 February 2014.

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 2014/15 after the end of the financial year. These indicators are:

- Ratio of financing costs to net revenue stream 2014/15 (affordability);
- Incremental impact of capital investment decisions on Council Tax 2014/15 (affordability);
- Total capital expenditure 2014/15;
- Capital Financing Requirement as at 31 March 2015.

2.2 In terms of borrowing, the indicator "net borrowing and the capital financing requirement (CFR)" (a prudence indicator) requires that net external borrowing does not, except in the short term, exceed the CFR. The CFR at 1 April 2014 was £22.667m and was estimated to be £26.996m by the year end. During the period 1 September 2014 to 30 November 2014 the net indebtedness of the Authority, calculated at the start of each month, did not exceed £22.432m including any requirements for temporary overdrafts. As at 30 November 2014, the net indebtedness of the Authority was £20.442m, which is well within the estimated CFR for the end of the year.

2.3 The Authority set an operational boundary for 2014/15 of £26.346m and an authorised limit of £28.981m. 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 for the 12 months up to the end of November 2014.

TREASURY MANAGEMENT INDICATORS

2.4 An interest earnings budget of £86k was set for 2014/15 and as at 30 November 2014 £44k had been received (after deducting interest relating to the 2013/14 financial year which was accrued for). It is expected that the budget target will be achieved by the year end, as there are significant sums of interest earned on investments which have not yet matured.

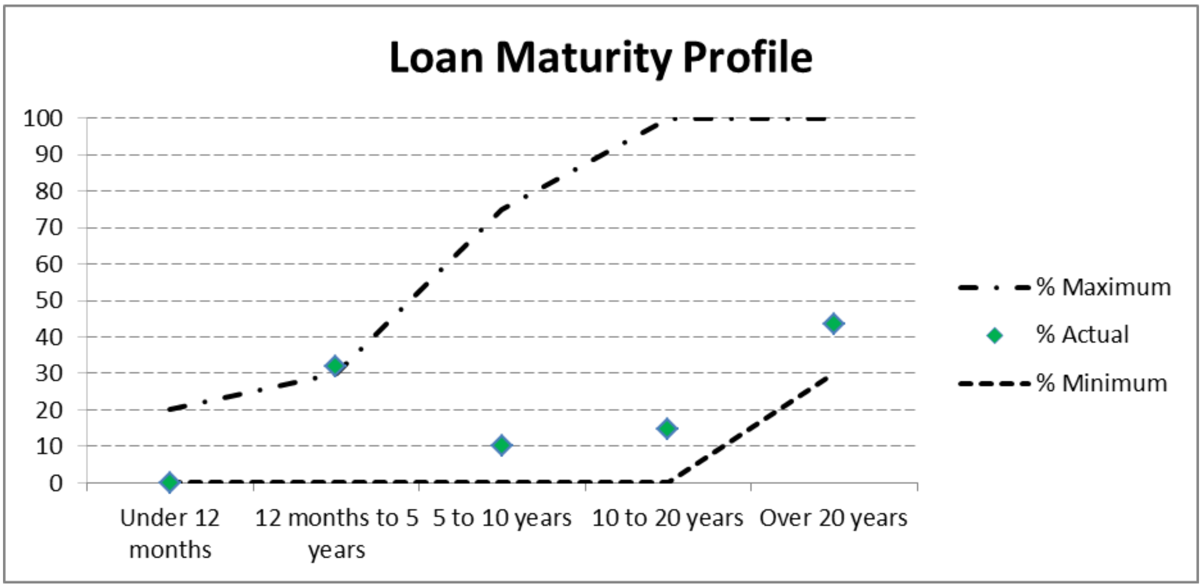
2.5 The treasury management target relating to interest rate exposure is that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 30 November 2014, 100% of lending was at fixed interest 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 part of the 2014/15 financial year up to 30 November 2014 the account was not overdrawn. A graph of cash balances for the 12 months up to 30 November 2014 is shown in Appendix A.

Treasury management limits relating to loan maturity are shown below:

Loan Maturity		
	Upper Limit	**Lower Limit**
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 at 30 November 2014 is shown in the following graphs and demonstrates that in most maturity bands the limits have not been breached. A small breach of the 12 month to 5 year upper limit has occurred because total borrowing has reduced during the year and no new borrowing has taken place, which means that Officers have not had the opportunity to re-balance the maturity profile. The actual proportion of debt in the 12 month to 5 year band is 31.8% but this is not considered to be a significant risk for the Authority, and the breach will be addressed when a new loan is next taken.



2.7 The upper limit for sums invested for longer than 364 days is £2m. During the part of the 2014/15 financial year up to 30 November 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.

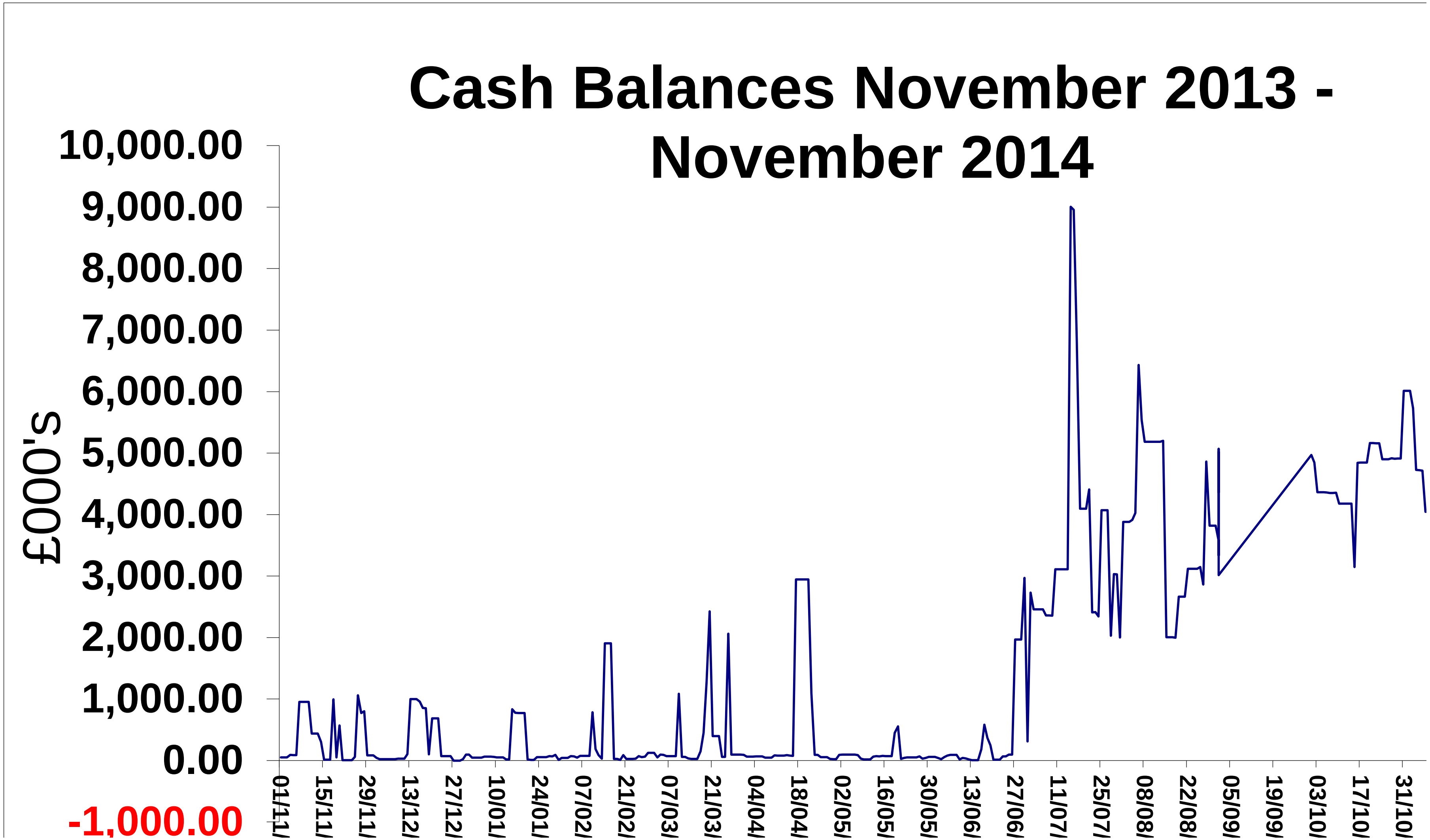
9. RECOMMENDATIONS

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



Cash Balances November 2013 - November 2014
£000's
10,000.00
9,000.00
8,000.00
7,000.00
6,000.00
5,000.00
4,000.00
3,000.00
2,000.00
1,000.00
0.00
-1,000.00
01/11/
15/11/
29/11/
13/12/
27/12/
10/01/
24/01/
07/02/
21/02/
07/03/
21/03/
04/04/
18/04/
02/05/
16/05/
30/05/
13/06/
27/06/
11/07/
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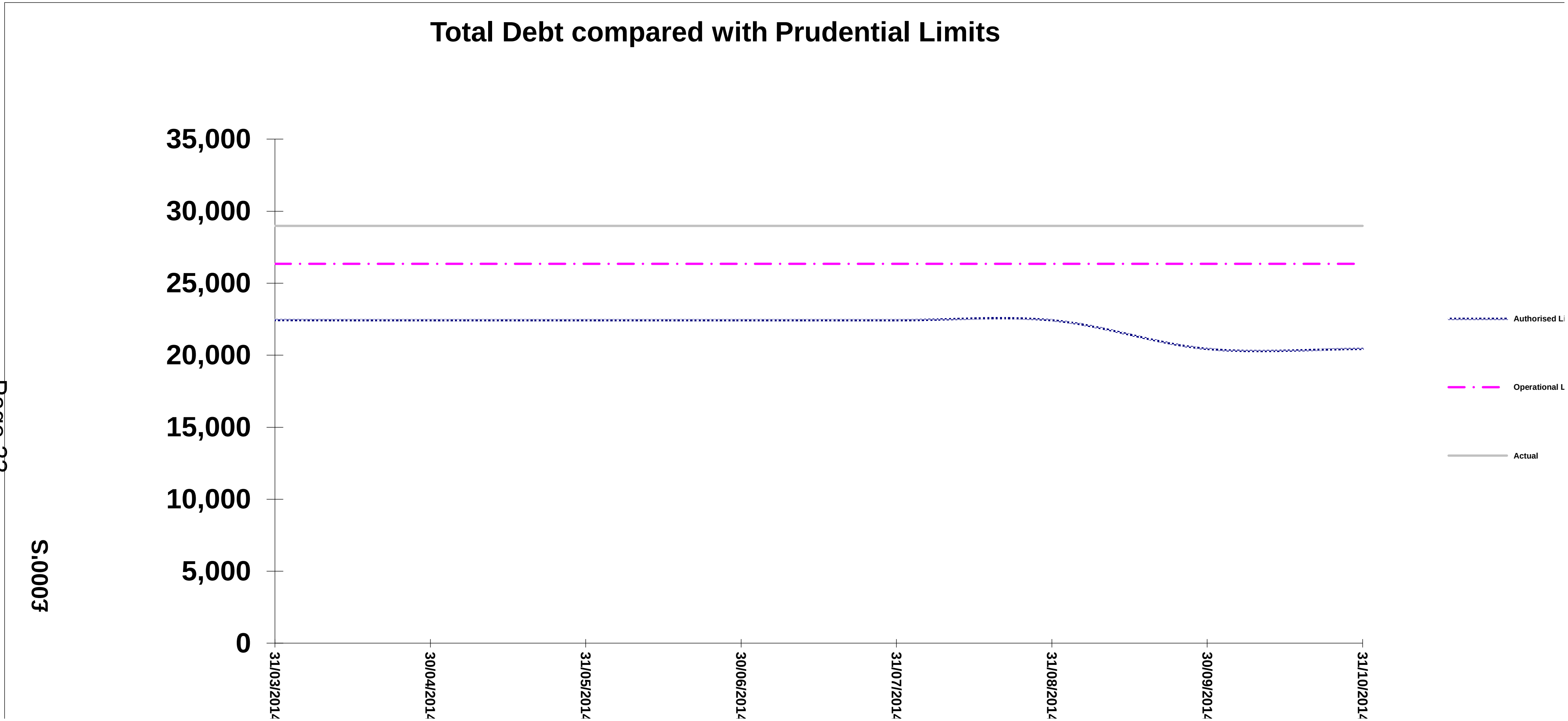
08/08/
22/08/
05/09/
19/09/
03/10/
17/10/
31/10/

APPENDIX B



Total Debt compared with Prudential Limits
£000's
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
31/03/2014
30/04/2014
31/05/2014
30/06/2014
31/07/2014
31/08/2014
30/09/2014
31/10/2014
Authorised Li
Operational L
Actual

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

BUDGET PROPOSALS FOR 2015/2016 TO 2017/2018 AND OPTIONS FOR COUNCIL TAX

Report of the Chief Fire Officer

Date: 16 January 2015

Purpose of Report:

To allow Members to consider the options for the recommendation of a balanced revenue budget over the next three years to the Fire Authority for acceptance. Implications for Council Tax are also considered.

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1. BACKGROUND

1.1 The Finance and Resources Committee is charged with considering the financial position of the Authority and proposing revenue and capital budgets to the Fire Authority for approval. The Fire Authority will also decide upon levels of Council Tax for the coming year and will consider the recommendations of the Finance and Resources Committee in doing so.

1.2 In late December, the government announced the provisional grant settlement for 2015/2016 but made no estimates in respect of 2016/2017 or 2017/2018. This means that there can be no certainty around budget plans for the years beyond 2015/2016 and therefore best estimates have needed to be used.

2. REPORT

CAPITAL BUDGET PROPOSALS 2015/2016 TO 2017/2018

2.1 The Authority maintains a sustainable Capital Programme that has been planned out over an extended period. This programme seeks to replace appliances and vehicles when they are approaching the end of their useful life, maintains a rolling programme of ICT replacements and a property programme that will both ensure that property remains fit for purpose, is appropriately located and can be contained within the internal capacity of the organisation to complete.

2.2 The overall programme also reflects elements of estimated slippage from 2014/2015 as set out in the following table.

The proposed Capital Programme for 2015/2016 to 2017/18 is therefore as follows:

	Estimated Slippage	2015/2016 £000's	Total 2015/2016 £000's	2016/2017 £000's	2017/2018 £000's
Transport					
Rescue Pump Replacement	253,020	623,860	876,880	937,695	939,615
Special Appliances	272,000	0	272,000	75,000	0
Command Support Unit	120,000	0	120,000	0	0
Appliance Eqpt	36,405	16,960	53,365	25,440	25,440
Light Vehicles	394,500	381,020	775,520	479,240	205,405
Total Transport	**1,075,925**	**1,021,840**	**2,097,765**	**1,517,375**	**1,170,460**
Equipment					
Equipment for Specials	0	15,000	15,000	0	0

Replacement Breathing Apparatus	0	0	0	0	600,000
Radio Replacements	0	0	0	0	0
Total Equipment		**15,000**	**15,000**	**0**	**600,000**
Property					
Retention - Retford FS	0	60,000	60,000	0	0
Retention - London Road	0	0	0	0	60,000
Construction of London Road	0	4,000,000	4,000,000	439,400	0
Fire Station Project Initial Design- Worksop	0	75,000	75,000	0	0
Fire Station Project Initial Design - Newark	0	75,000	75,000	0	0
Fire Station Project Initial Design - Hucknall	0	75,000	75,000	0	0
Purchase of Land	0			400,000	400,000
Construction Stage of New Station (Assumed commence in Sept 2016)	0			1,400,000	1,100,000
Construction Stage of New Station (Assumed commence in Nov 2017)	0				800,000
Property Total	**0**	**4,285,000**	**4,285,000**	**2,239,400**	**2,360,000**
I.C.T					
Renewals Programme	0	140,000	140,000	140,000	140,000
Mobile Computing	0	60,000	60,000	20,000	20,000
PABX Replacement	25,000	0	25,000	0	0
Business Process Automation	150,000	0	150,000	0	0
CFRMIS Online	47,000	0	47,000	0	0
ICT Total	**222,000**	**200,000**	**422,000**	**160,000**	**160,000**
IT Systems					
Agresso Upgrade	0	70,000	70,000	0	0
Tranman	0	25,000	25,000	11,000	0
Payroll System	0	40,000	40,000	0	0
IT Systems Total	**0**	**135,000**	**135,000**	**11,000**	**0**
Total Programme	**1,297,925**	**5,656,840**	**6,954,765**	**3,927,775**	**4,290,460**

2.3 Rescue pump renewals budget changes the usual practice of replacing four appliances each year and reduces this to two in 2015/2016 taking account of the reducing fleet. This rises to a steady three per annum from 2016.

2.4 The special appliances budgeted for are the Breathing Apparatus Unit and the Environmental Protection Unit both of which are overdue for replacement but the plan is to re-body two existing chassis which have been later that anticipated in release.

2.5 Equipment relates entirely to the replacement appliances.

2.6 The light vehicle programme has been virtually suspended during recent restructures and vehicles have been allowed "run on" beyond their optimal disposal points. This was to avoid purchasing vehicles which may not have been required going forward. This position is beginning to stabilise and therefore the light vehicle programme is to some extent playing "catch up".

2.7 The two largest items on the equipment programme relate to the replacement of radio sets across the service and the eventual replacement of breathing apparatus in 2017/18. This purchase has been put back due to the most recent assessment of equipment showing that there is more useful life left in the current sets.

2.8 It has been suggested to other services that these procurements might be best achieved in partnership to bring about a gradual harmonisation of equipment.

2.9 The property programme remains focussed on the rebuild or refurbishment of a fire station per annum on average. It is not possible to both start and complete a building project within a single financial year and therefore a number of projects have been considered and feasibility studies carried out. The actual stations selected for rebuild or refurbishment will depend on other factors and actual project proposals will be brought back to this committee. This budget simply sets aside the resources to continue with the Authority's sustainable capital programme which will ensure that all property assets remain fit for purpose over time.

2.10 The most significant project is the construction of a new fire station on London Road but Members will also note the design works being commissioned for Worksop, Newark and Hucknall stations.

2.11 The ICT programme covers a number of replacement items and provision for the general expansion of ICT usage across the organisation. The business automation project remains an achievable aspiration which, now that improved infrastructure and appropriate staffing resources are in place, will press forward in 2015/2016.

2.12 The payroll system for the Authority is currently provided by Nottinghamshire County Council and this has been a very successful arrangement since the Authority was formed in 1998. The County Council have recently changed their payroll system to SAP which is an enterprise resource management system incorporating finance, HR and Payroll. The Fire Authority's payrolls have been successfully transferred to the SAP system but unfortunately the process of accurately interfacing payroll data into the authority's Agresso financial system is proving very difficult. There are also issues around the lack of any real interfaces between the Authority's new HR system and SAP payroll which creates a requirement or double data entry and scope for error. It has been decided therefore that the Authority would be better served by acquiring a new payroll system. Discussions are taking place with regional partners with a view to collaborating on this project to provide a single payroll solution.

2.13 Members will be aware that the Authority's financial system is a joint procurement with both Leicestershire and Derbyshire. This has worked very well after a few teething problems and the benefits of a modern system and the resilience that is provided by having two other organisations on the same system are beginning to come through. Part of our commitment to this joint working is that we follow the same upgrade pathway as other partners and it has been decided that the time to move to the next version has arrived. We are now two versions behind the latest version and the suppliers have given notice that they will shortly withdraw support for the version that is in use. This does not expose the Authority to any immediate risk but it will require an upgrade in 2015/2016 if the joint arrangement is to continue.

2.14 A level of "over programming" has been assumed within this programme to reduce the amount of revenue provided to support a capital programme which may slip for reasons beyond the control of the Fire Authority.

REVENUE BUDGETS 2015/2016 TO 2017/2018

2.15 The Authority had been faced with significant budget reduction targets over recent years and the forthcoming years 2015/2016 to 2017/2018 are no exception. As part of a longer term financial plan the Authority continues to rise to the challenge of seeking out budget reductions and has recently gone through a significant review of the more significant base budgets under the supervision of the Director of Finance and the Chair of the Finance and Resources Committee. This process has been very useful and budget managers engaged positively with this process which has enabled significant budget reductions to be made.

2.16 The key to responding to the challenge of reducing funding central government has been careful planning, sensible use of balances and the adoption of longer term financial strategies which not only seek to address immediate problems, but also to maintain a stable financial platform which will enable the Service to continue to develop within this reducing resource envelope.

2.17 The Authority has very clear objectives and underlying values which are set out in the Corporate Plan and these budget proposals have been prepared on the basis that there should be no deviation from those underlying principles and that the Authority should press ahead with the medium term plan previously agreed.

2.18 Notwithstanding the above it is considered that it is possible, given the level of reserves and balances, to take an increased level of risk within the revenue budget to avoid having to make further reductions which may themselves result in underspends going forward.

2.19 At its meeting in February 2014 the Authority, set outline budgets for 2015/2016 and 2016/2017. These figures were set before the base budget review had been undertaken and before any detailed work had been carried out on these budgets. Members will also recall that a deficit of the order of £1.5m was predicted for 2015/2016 which needed to be resolved in the 2015/2016 budgeting process.

2.20 The predicted budget requirement for 2015/2016 was £43,209,162 and the following table focusses on the changes to that figure to get as close to the available funding as possible.

	2015/2016 £m
Requirement Identified in 2014/2015 budget	**43,209**
Changes in 2015/16 process	
Budget Managers Adjustments	-51
Administrative Pay	-249
Wholetime Pay	-940
Control Pay	+14
Retained Pay	-156
Pensions	+45
Zero Based Budget Review	-122
Loss of Income	+119
Revenue Impact of Capital Financing	-96
Other	+26
Total Changes	**-1,410**
Budget Requirement	**41,799**

2.21 The above figures, of course, reflect changes to the assumptions that had been made in February 2014. It is perhaps useful therefore, for the larger items to consider the totality of these changes to the base budget against the original 2014/2015 base.

These figures are given in the following tables:

Administrative Pay	**Estimated change to base**	**Actual change to base**	**Difference in estimates**
	£	£	£
Pay Award now known	65,455	77,714	12,259
Increments	68,666	70,063	1,397
Vacancy Factor	0	-118,959	-56,844
JE Contingency	20,000	-14,605	-34,605
VR Ph2 Net Savings	-169,862	-153,023	16,839
Increase in Superannuation	48,356	0	-48,356
2 x Support Work Posts	0	-54,008	-54,008
Team Leader Post	0	-34,082	-34,082
p/t Administrator	0	-11,522	-11,522
Command Suite Admin	0	-28,910	-28,910
Head of Control 33%	0	21,000	21,000
Other	0	-2,885	-2,885
Total Changes		**-249,217**	

Wholetime Pay	**Estimated change to base**	**Actual change to base**	**Difference in estimates**
	£	£	£
Pay Award (est 1%)	203,410	163,262	-40,148
Reduction of Buffer (now spread over other pay heads	-136,488	0	136,488
Additional Bank Holidays	59,730	53,424	-6,306
Removal of 2nd Appliance at Highfields	0	-781,951	-781,951
Movement between pension schemes	-2,631	-234,082	-231,451
Budget for ARAs	0	40,000	40,000
ARA for systems administration	0	1,500	1,500
Change in Competent/Development assumption	0	-209,776	-209,776
Methodology Change	0	27,572	27,572
Total Changes		**-940,051**	

Retained Pay	Estimated change to base	Actual change to base	Difference in estimates
	£	£	£
Pay Award (est 1%)	27,106	16,856	-10,250
Enhanced Crewing (Saving removed)	-303,428	0	303,428
Removal of Mansfield appliance	0	-103,065	-103,065
Net effect of starters/leavers	0	90,145	90,145
Movement between pension schemes	0	39,680	39,680
Removal of surplus budget	0	-200,000	-200,000
Total Changes		**-156,384**	

FUTURE YEARS

2.22 Future year base budgets largely follow on from the 2015/2016 budget but even after allowing for certain budget reductions in 2015/20-16 carrying through there will still be an additional requirement in 2016/2017 of over £1.444m of which 80% is due to pay inflation. There are some large figures coming through for interest charges and for Minimum Revenue Provision but this reflects the fact that these budgets have been artificially reduced by revenue contributions in the past. There are similar increases amounting to some £1.317m predicted for 2017/2018. These figures become important when considering the likely funding streams going forward.

FINANCING THE BUDGET

2.23 The Authority primarily receives income from Revenue Support Grant, Business Rates and Council Tax. The government announced the provisional settlement on 18 December 2014 and this is being used for planning purposes as the final settlement is not expected until the end of January 2015. Experience shows that there is likely to be little change from the provisional figures.

2.24 In making predictions about budget financing some assumptions have been made. These are:

i) That business rates collected by the billing authorities will be broadly in line with the assumptions made in the provisional settlement.
This is unknown but the assumptions in the provisional settlement seem to be broadly in line with the figures declared by the billing authorities last year.

ii) That the taxbase will increase by 1% across the County and City

This again is unknown until 31 January 2015 but early indications are that this assumption will hold up.

iii) That the actual settlement is the same as the provisional.

This is almost a given in that there is hardly ever a change in these figures unless there has been a major error.

iv) That there are no substantial surpluses or deficits on the collection accounts.

This is probably the most risky area in that billing authorities will not declare their position until the very last minute and the issue of Council Tax arrears is not only very sensitive but the actual amounts declared as uncollectable will vary from one authority to another. It has been policy at NFRS not to take account of these figures when budgeting but instead to deal with any variances through the general reserve.

2.25 Government have only announced provisional figures for 2015/2016 even though good practice means that NFRS need to make estimates for a three year period. The figures used below therefore use estimates for 2016/2017 and 2017/2018 provided by the Local Government Association.

	2015/2016 £	**2016/2017 £**	**2017/2018 £**
Revenue Support Grant	9,772,122		
Business Rates Assumption	3,126,684		
Top Up Grant	6,477,078		
Council Tax Freeze Grant Previous years	575,023		
Freeze Grant 2013/2014	235,811		
SFA Adjustment	143,564		
Total Grant Yield	**20,330,282**	**18,703,860**	**17,394,590**

2.26 The Secretary of State has announced that Council Tax Freeze grant will be available in 2015/2016 to those authorities that agree to freeze council tax. The following table then brings together all of these figures and presents the position that the authority would be in if there was no change to the level of council tax.

	2015/2016 £	2016/2017 £	2017/2018 £
Total Grant Yield	20,330,282	18,703,860	17,394,590
Budget Requirement	41,799,429	42,848,032	43,841,658
Balance to be met locally	21,469,147	24,144,172	26,447,068
Council Tax Yield*	20,936,152	21,145,513	21,356,968
Budget Shortfall	**532,995**	**2,998,659**	**5,090,100**
Deficit			
Council Tax Freeze Grant	244,066	488,132	732,198
Remaining Budget Shortfall	**288,929**	**2,501,527**	**4,357,902**

*Assumes a 1% rise in tax base but no rise in Council Tax

The above figures suggest that further savings of approximately £4.5m will be required by the start of the 2017/2018 financial year.

2.27 In the settlement the government have stated that any authority wishing to increase Council Tax by 2% or more would need to hold a referendum. This appears to create a ceiling that Authorities can use to determine whether to increase Council Tax or not in 2015/2016. There has been no announcement regarding limits for 2016/2017 or 2017/2018 and so the assumption being made is that would be the same. There has also been no announcement regarding possible freeze grants in 2016/2017 or 2017/2018 and therefore no assumptions have been made.

2.28 There are a number of other adjustments which can be made to budgets over the next few weeks and therefore it is not essential that further reductions are sought at this stage for the 2015/2016 budget. However the challenge for future funding remains a serious one if the predictions of grant reductions hold good.

BALANCES

2.29 There is no planned contribution to or from balances within this budget paper. General balances stood at £6.342m in March 2014 and are anticipated to rise by approximately £290k as a result of underspends in 2014/2015.

QUESTIONS FOR ELECTED MEMBERS

2.30 The Fire Authority at the December 2014 meeting set out 4 options for the Finance and Resources Committee to consider. These were:

A reduction in Council Tax
A zero increase in Council Tax
An increase in council tax below the referendum ceiling
An increase in Council Tax which would require a referendum

2.31 A reduction in Council Tax of 1% would reduce yield by approximately £200,000 and permanently remove this from the base. It would however attract £243,000 in freeze grant. The problem with this approach of course is that it makes the problem worse going forward and other than a statement to taxpayers would actually only reduce bills by 2.5p per week. There have been a few local authorities that have benefitted from increased grant and it is perhaps understandable that they might wish to reduce Council Tax however against the backdrop of reducing grant it is difficult to recommend such an action.

2.32 A zero increase in Council Tax that would attract freeze grant is set out in paragraph 2.25 above and shows that the deficit for the three years in question is 410,392, £2,886,325 and £5,061,029. It also has the disadvantage that whilst the freeze grant is to be consolidated into the base it can still be taken into account for future grant cuts as it forms part of the Baseline Funding Assessment.

2.33 A proposal to increase Council Tax by 1.95% in each of the three years of the budget strategy would yield the following results:

	2015/2016 £	**2016/2017 £**	**2017/2018 £**
Total Grant Yield	20,330,282	18,703,860	17,394,590
Budget Requirement	41,799,429	42,848,032	43,841,658
Balance to be met locally	21,469,147	24,144,172	26,447,068
Council Tax Yield*	21,345,739	21,978,834	22,631,473
Budget Shortfall	**123,408**	**2,165,338**	**3,815,595**
Deficit			
Council Tax Freeze Grant	0	0	0
Remaining Budget Shortfall	**123,408**	**2,165,338**	**3,815,595**

2.34 It is difficult to imagine why an Authority such as NFRS would wish to consider a referendum in 2015/2016 with such a small shortfall to make good. The only obvious advantage is that as there is a general election in May it would be possible to hold a referendum for significantly less cost than would usually be the case. Nevertheless the cost of losing one would still be significant as all the Council Tax bill would need to be reprinted and sent out. The obvious problem it seems is that in order to make a referendum worthwhile there would need to be a significant rise in taxation which in 2015/2016 could only be used to increase balances.

2.35 There are obvious advantages to getting any council tax increase permanently into base budget and not relying on central government for continued funding of freeze grants. Government has recently attempted to avoid the “cliff edge” of withdrawing freeze grants but it always remains a possibility that this could be withdrawn at some future time.

BUDGET OPTIONS

2.36 The gravity of the decisions required to solve the emergent problems for 2016/2017 and 2017/2018 will be beyond the scope of this Committee with the limited information that is available with regard to risk and budget options. The decision required at this time is which of the four options this Committee wishes to recommend to the Fire Authority.

2.37 It is proposed therefore that Members should make a decision on a recommendation to make to the Fire Authority concerning the level of Council Tax for 2015/2016 but in the knowledge that the Chief Fire Officer and his team will need to bring back to the Authority, proposals to deal with the issues that will arise in 2016/2017 and beyond.

2.38 These proposals will need to form part of the thinking behind the current IRMP process in order to ensure that proper consultations take place with stakeholders.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are many human resources implications within the underlying savings relating to restructuring proposals.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment (EIA) has not been undertaken because this report relates to a series of recommendations which will be consulted upon. It is anticipated that a full EIA will be carried out on the report that goes to the Fire Authority in February 2014.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The Authority must set a balanced budget for 2014/2015 but may acknowledge potential budget shortfalls for future years.

8. RISK MANAGEMENT IMPLICATIONS

8.1 Risks associated with budget setting are always significant. Budgets are by their very nature estimates of future activity and these estimates can sometimes be incorrect. Changes involving contraction of activities may not be made on the envisaged timescales, public consultation may vary policy and external issues such as national pay awards may not align with the assumptions.

8.2 Council tax base figures used for this report are only estimates at present and the grant settlement details are only provisional. It is possible that both or either of these could change.

8.3 There can be no control over external issues however the Authority has sufficient reserves to cope with any in year changes which alter these budget assumptions significantly.

9. RECOMMENDATIONS

It is recommended that:

9.1 Members use the above paper as a basis for making recommendations to the Fire Authority in respect of:-

- Capital and Revenue budgets for 2015/2016;
- Outline Capital and Revenue Budgets for 2016/2017 and 2017/2018;
- Which of the four options for funding the Fire Authority should adopt.

9.2 Members request the Chief Fire Officer prepare a range of options which can be consulted upon to bring budgets into balance for 2016/2017 and 2017/2018. These options to be included within a future report to the full Fire Authority.

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

None.

John Buckley
CHIEF FIRE OFFICER

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

TREASURY MANAGEMENT MID YEAR REVIEW 2014/15

Report of the Treasurer to the Fire Authority

Date: 16 January 2015

Purpose of Report:

To provide Members with an update on treasury management activity during the first half of the 2014/15 financial year.

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1. BACKGROUND

1.1 Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

1.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Fire Authority on 9 April 2010. The Code was updated in 2011.

1.3 The primary requirements of the Code are as follows:

1. The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
2. The creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
3. Receipt by the Fire Authority of an annual Treasury Management Strategy Statement for the year ahead, a mid-year review report and an annual report covering activities during the previous year.
4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Finance and Resources Committee.

1.4 This mid year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2014/15
- A review of the Treasury Management Strategy Statement
- A review of the Authority's investment portfolio for 2014/15
- A review of the Authority's borrowing strategy for 2014/15
- A review of compliance with Treasury and Prudential Limits for 2014/15

1.5 The Authority has appointed Capita Asset Services (formerly Sector Treasury Services) as its external treasury management adviser.

2. REPORT

ECONOMIC UPDATE

2.1 After strong UK GDP growth of 2.7% in 2013 it seems likely that strong growth will continue through 2014 and into 2015. However for this recovery to become sustainable in the longer term, it needs to move away from dependence on consumer expenditure and the housing market and towards exporting.

2.2 The overall strong growth has resulted in unemployment falling much faster than expected. In turn it is recognised that wage inflation needs to rise above the level of general inflation in order to make the recovery sustainable, but this needs to be as a result of productivity increases, which are not currently in evidence. Unemployment is expected to continue to fall.

2.3 Inflation (CPI) reached its lowest rate since 2009 in September 2014 i.e. 1.2% and this downward trend may well continue. Markets are expecting the Monetary Policy Committee to be cautious about raising the bank rate whilst consumers are heavily in debt and forecasts are that the rate may increase in mid-2015, which is still earlier than anticipated in the Treasury Management Strategy approved by Members in February 2014.

2.4 PWLB rates have generally decreased since this year's strategy was written but some degree of volatility in rates is still expected.

REVIEW OF THE TREASURY MANAGEMENT STRATEGY

2.5 The Treasury Management Strategy approved by the Authority sets out the policies for managing investments and for giving priority to the security and liquidity of those investments. The risk appetite of this Authority is low in order to give priority to security of its investments. Accordingly the following types of low risk investments may be made:

- Deposits with the Debt Management Agency (Government);
- Term deposits with Banks and Building Societies;
- Term Deposits with uncapped English and Welsh local authority bodies;
- Triple-A rated Money Market Funds;
- UK Treasury Bills;
- UK-based bank notice accounts.

2.6 The Authority will aim to limit its investment with any single counterparty to £2m although the strategy noted that this was sometimes difficult to achieve. No term deposits will be made for more than 1 year without the prior approval of the Treasurer and the Chair of Finance and Resources Committee. The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of potential counterparties. The Authority will therefore use counterparties within the following durational bands:

- Blue 1 year (only applies to nationalised or semi nationalised UK Banks);
- Orange 1 year;
- Red 6 months;
- Green 3 months.

2.7 The Authority will avoid locking into longer term deals whilst investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile.

2.8 In terms of cash resources, the strategy is to maintain a bank overdraft facility of £200,000, to continue to use cash flow forecasting to predict cash surpluses and shortfalls so that these can be managed and to invest small bank account balances in the Business Premium Account on a daily basis.

2.9 In the first half of the year, there were no instances of the bank account being overdrawn.

REVIEW OF THE INVESTMENT PORTFOLIO

2.10 During the first half of the year, a total of 17 investments were made (excluding the overnight sweep to the Business Premium Account). The maximum value placed in any single investment was £2m and the maximum term of 365 days was for a single investment of £1m. Two investments were placed with other local authorities and the remainder were placed with banks and building societies meeting the credit rating criteria shown above. An analysis of investments as at 30 September 2014 revealed that the Authority had £12m invested with 7 different institutions at an average interest rate of 0.58%. All of the £12m was placed with UK institutions (as defined by the Bank of England Prudential Regulation Authority).

2.11 Investment income earned up to 30 September 2014 totalled £42k. This is set against a budget for the year of £86k so the budget is on target at this stage.

REVIEW OF THE BORROWING STRATEGY

2.12 The strategy for 2014/15 is to use a combination of capital receipts, capital grant and internal funds to finance the majority of capital expenditure. A £2m PWLB loan matured in September 2014 and it was anticipated that new borrowing would need to be taken to replace this loan, however the capital programme is currently underspending and the maturing loan was repaid without the need to borrow at that time.

2.13 The decision on whether or not to borrow this year will be kept under review in the light of the capital programme forecast expenditure for the year, and interest rate predictions. As it is expected that borrowing will need to take place over the next three years, any opportunity to borrow at advantageous rates will be taken and Capital Asset Services will advise Officers if such a situation arises.

2.14 No rescheduling of debt has taken place to date, as the interest rate climate has not resulted in an advantageous environment for rescheduling.

2.15 All other aspects of the borrowing strategy remain in place at this mid-point in the year.

REVIEW OF COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

2.16 The following indicators were approved by Members for the 2014/15 financial year. As at 30 September, the actual performance was as shown in the final column of the table below.

Treasury or Prudential Indicator or Limit	Approved for 2014/15	Actual as at 30/09/14
Estimate of Ratio of Financing Costs to Net Revenue Stream	5.4%	Not available until year end
Estimate of the Incremental Impact of the New Capital Investment Decisions on the Council Tax (Band D)	-£0.41	Not available until year end
Estimate of Total Capital Expenditure to be Incurred	£6,281,000	£5,878,000
Estimate of Capital Financing Requirement	£26,996,000	Not exceeded
Operational Boundary	£26,346,000	Not exceeded
Authorised Limit	£28,981,000	Not exceeded
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	0%
Loan Maturity:	**Limits:**	
Under 12 months	Upper 20% Lower 0%	0%
12 months to 5 years	Upper 30% Lower 0%	31.8%
5 years to 10 years	Upper 75% Lower 0%	9.99%
10 years to 20 years	Upper 100% Lower 0%	14.68%
Over 20 years	Upper 100% Lower 20%	43.54%
Upper Limit for Principal Sums Invested for Periods Longer than 364 Days	£2,000,000	Not applicable

2.17 The table above shows that one indicator was breached in the first half of the year. A small breach of the 12 month to 5 year upper limit has occurred because total borrowing has reduced during the year and no new borrowing has taken place, which means that Officers have not had the opportunity to re-balance the maturity profile. The actual proportion of debt in the 12 month to 5 year band is 31.8% but this is not considered to be a significant risk for the Authority, and the breach will be addressed when a new loan is next taken.

2.18 A treasury management training seminar took place immediately following the July 2014 Finance and Resources Committee meeting, delivered by Capita Asset Services. This was well attended by both Members and Officers and gave a useful insight into both the role of Members in treasury management matters as well as the current treasury management position for the Authority.

3. FINANCIAL IMPLICATIONS

The financial implications of this report are set out in full 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 details a review of activities rather than a new policy.

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, other than the requirement to act within the Authority's powers when undertaking treasury management borrowings and investments.

8. RISK MANAGEMENT IMPLICATIONS

The investment of local authority funds cannot be achieved without some element of risk. Careful choice of borrowers using creditworthiness indices will minimise this risk. This prudent approach will undoubtedly result in some interest rate loss but the principles of security and liquidity are paramount.

9. RECOMMENDATIONS

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

CORPORATE RISK MANAGEMENT

Report of the Chief Fire Officer

Date: 16 January 2015

Purpose of Report:

To present the Committee with updated Corporate and Strategic Risk Registers.

CONTACT OFFICER

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1. BACKGROUND

1.1 Members of the Finance and Resources Committee have requested a report twice a year that provides evidence of the Authority's risk management activity, including up-to-date versions of the Strategic and Corporate Risk Registers and a list of the top ten corporate risks.

1.2 The reporting of risk management activity to Members via the Finance and Resources Committee forms part of the Authority's planned and systemic approach to the management of risk. The purpose of this is both to aid strategic decision-making and provide assurance.

2. REPORT

2.1 The Strategic Risk Register, which is used to ensure that the Authority has the flexibility to respond to factors that may affect long-term strategic vision or aims, has been reviewed and is attached at Appendix A. It should be noted that on this occasion, it was felt that no revision was necessary.

2.2 The Corporate Risk Register, which identifies significant operational risks that require the attention of, or monitoring by the Corporate Management Board has been updated following consultation with the risk owners; consultation with Service Managers, allowing an opportunity for significant departmental risks to be escalated; and debate at Corporate Management Board. The updated Corporate Risk Register is attached at Appendix B.

2.3 Members of the Finance and Resources Committee are reminded that the purpose of a corporate risk register is to ensure Principal Officers and senior managers are taking responsibility for the management of the most significant risks to which the Authority is exposed.

2.4 The following risks are those that have a 'high' or 'very high' risk score (shown in parentheses. Note: maximum risk score = 25) following the implementation of control measures:

- Mobilising (20)
- Workforce issues (20)
- Use of vehicles on Authority business (15)
- Major, multi-agency incident (12)
- Legal compliance (10)
- Preventable deaths (10)
- Health, safety and welfare (10)
- Avoidable environmental impact (10)
- Budget performance (9)
- Workforce sustainability (9)
- Availability of assets (9)
- Major ICT systems (9)

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITY IMPACT ASSESSMENT

An initial equality impact assessment has been completed and there are no equality implications arising directly from this report.

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 failure of the Authority to effectively manage the risks to which it is exposed in itself poses a risk. Risk management is a key element of the corporate governance framework and it is imperative that progress is made in adopting a strategy and policy, embedding risk management in the business culture of the Authority and in reporting to Members and providing assurance on this matter.

9. RECOMMENDATIONS

It is recommended that Members:

9.1 Note and endorse the Strategic Risk Register.

9.2 Note and endorse the Corporate Risk Register.

9.3 Note the most significant risks facing the Authority.

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

None.

John Buckley
CHIEF FIRE OFFICER

Appendix A

Strategic Risk Register

(Subject to ratification by Finance and Resources Committee)

Strategic Risk	Action	Potential Impact
Change in UK government	Keep informed of political intentions at a national level to establish whether a future government may change the emphasis of fire and rescue service activity, i.e. localism, greater national resilience roles, shifts in the balance of prevention/response/enforcement. Monitor possibility of any national decisions following Knight review.	High
Change in local balance of power	Keep informed of political intentions at local level to ascertain possible future intentions in terms of budget setting and significant shifts in local priorities.	Medium
Interest rates: currently low	Consider implications as part of annual Treasury Management Strategy with reference to BoE forward guidance. May choose to undertake capital projects on basis of low borrowing rates, but remain aware of potential future refinancing costs when interest rates rise.	Medium
Inflation	Monitor economic situation and forecasting data as any significant or sustained rise in the inflation rate may put pressure on interest rates and on cost base.	High

Strategic Risk	Action	Potential Impact
Recession/growth and the burden of taxation	Recession and associated decreases in tax receipts, in particular local retained NDR could be susceptible to more rapid variation .Develop means of effectively utilising increased funding once sustained growth is achieved in order to minimise future risk of recession Treasury management to shield investments' exposure to institutions which are not well prepared to cope with future economic downturn.	High
Increased levels of poverty	Question assumptions in IRMP with regard to the identification of vulnerable groups.	High
Stakeholder expectations increased in periods of strong funding	Focus corporate objectives on statutory responsibilities. Consider potential impact of future funding restrictions prior to committing to work not covered by statute and have an exit strategy planned. Manage public expectation to a level that is consistently attainable, rather than to short-term levels of funding.	High
National or local demographics, migration and age profiles	Ensure that corporate objectives and long-term planning prepares the Service for serving an ageing population, not just a future elderly population. Question how the Service can attract and retain good quality employees in a situation of decreasing supply. Be aware that cultural migration has the potential to influence the cultural balance of a whole community. Individual cultures should not be viewed in isolation.	High

Strategic Risk	Action	Potential Impact
Social media	Be aware that social media invites interaction, and may place pressure on political and management decisions. Ensure consistency of message across all media platforms.	High
Technology: Delivery of services Management of delivery Back-office support	Look to use technology to do better things, not simply the same things better. Take a balanced view – be aware of the capabilities of new technologies, but ensure that the use of technology is driven by the corporate objectives and not the other way around.	Medium
Weather extremes	Assess whether the corporate objectives provide sufficient flexibility in terms of people, equipment and finance to respond to extreme weather events. Consider the influence of NFRS on planning, with reference to flooding risk in particular.	High
Green technologies	Increasingly mandated through legislation, or encouraged by taxation policy and social pressure, the corporate objectives should reflect, or be developed in the context of the increasing importance of green technologies. Security of supply may become an issue.	High

Strategic Risk	Action	Potential Impact
Statutory obligations: • What you deliver • How you deliver it	Ensure clarity over which elements of current service provision are underpinned by statute and what is delivered under ‘moral obligation’. Acknowledge that any elements of the current service delivered under moral obligation and not likely to become a statutory obligation constitute a low priority and may have to cease. Remain informed, across all professions, of variations in legislative requirements.	Medium
Competition law: Deregulation of sector	Consider how the Service would respond to partial or total deregulation of fire service provision, for example, an increase in the number of private fire and rescue services serving large commercial organisations, or the contracting out of non-statutory or specialist functions.	High
Employment law	Be alert to changes in societal norms and expectations that may result in the need to more clearly reflect equalities, diversity and human rights in corporate objectives.	High
Legal precedents	Maintain an awareness of live litigation that relates to operational activity or organisational management and act as appropriate on any outcomes.	Medium

Strategic Risk	Action	Potential Impact
The wider public sector	Consider implications of a local government or frontline public body encountering financial stress, particularly where shared services exist, and cross-border arrangements.	High

Appendix B

Corporate Risk Register

(Subject to ratification by Finance and Resources Committee)

Risk Title	Risk Description	L	I	Risk Score	Existing Controls	L	I	Risk Score	Further Controls Required	Risk Owner
Service Priority: Service Delivery										
Operational equipment	Inadequacy of operational equipment or personal protective equipment	3	4	12 VH	Appropriate specification and selection of equipment, process for commissioning and procuring equipment Robust maintenance procedures in place	2	3	6 M		ACO Finance & Resources
Mobilising	Loss of mobilising capability Replacement of Airwave system (ESMCP) – extent of financial impact not yet known and potential issues during transition in terms of continued Airwave availability.	4	5	20 VH	Secondary and tertiary mobilising arrangements in place. Maintenance contract in place for current system. New mobilising system includes cover arrangements Engagement with relevant CFOA and ESMCP groups Fall-back to LFRS and DFRS	4	5	20 VH	Work on ESMCP expected to start end 2014 – CMB to consider the impact of this and what lessons can be learned from the Tri-Service Control project	DCFO

Risk Title	Risk Description	L	I	Risk Score	Existing Controls	L	I	Risk Score	Further Controls Required	Risk Owner
Availability of assets	The risk that the Service will lose widespread access to key assets – this may include premises, equipment, ICT systems and data or employees	3	5	15 VH	Business continuity management plan and process in place Asset maintenance plans supported by Redkite asset management system Planned replacement and upgrade programmes Defect reporting and repair procedures in place Competent management and managers	3	3	9 H		ACO Finance & Resources
Major, multi-agency incident	The risk that the Service will fail to work effectively in such an incident	4	4	16 VH	Multi-agency exercises to practice response Partnership working on the development of protocols Training resulting from JESIP being delivered and incorporated in to major exercise planning	4	3	12 H		DCFO
Workforce issues	Increasing potential for poor industrial relations arising from local decision making due to financial constraints and national political/macro-economic factors resulting in a loss of morale or workforce availability	5	5	25 VH	CMB revised contingency plans for strike action to account for reducing internal availability for cover DCFO and ACFO have responsibility for maintaining positive industrial relations	4	5	20 VH		DCFO

Risk Title	Risk Description	L	I	Risk Score	Existing Controls	L	I	Risk Score	Further Controls Required	Risk Owner
Service Priority: Employees and Workforce										
Health, Safety, and Welfare	The risk arising from the hazards associated with the Service's activities which may cause injury, ill-health or death to employees and/or non-employees and could result in both criminal and civil sanctions, reputational damage and negative effects on service delivery and employee morale	4	5	20 VH	The availability of 'competent persons' to advise the Service of its duties and necessary risk controls which are then translated in to safe systems of work	2	5	10 H	Review of 7.2D procedure by Corporate Services Support and Service Delivery by end March 2015	ACFO Corporate Support
Workforce sustainability	Inability to maintain sufficient or adequate workforce to meet service requirements. Issues around competency of staff, loss of corporate memory and single points of failure or critical persons in specific roles	3	4	12 VH	HR function with advisory capacity and suite of policies. Workforce planning, providing overview of workforce. L&D function, operational training against role maps and PDR process to identify training needs. Maintenance of competence policy PDR review undertaken 2014	3	3	9 H	Operational competence progression being reviewed Scheme for maintenance of competence to be updated on delivery of new HR system Monitoring of (re)training requirements arising from redundancy situations	ACFO Corporate Support

Risk Title	Risk Description	L	I	Risk Score	Existing Controls	L	I	Risk Score	Further Controls Required	Risk Owner
Service Priority: Improvement and Governance										
The use of vehicles on Authority business	The risk of accidents or other events arising from vehicle defects or by the driving of employees	4	5	20 VH	Road Risk Group Transport function to manage vehicle assets Driver training by L&D function Insurance cover to mitigate financial losses Driving safety policy Generic blue-light risk assessment Generic non-emergency driving risk assessment External review completed by insurers Engagement with Nottingham Trent University Emergency Services Research Group on eye-tracking research	3	5	15 VH	Driver training needs to be reviewed by Area Manager-Service Delivery and Business Risk Manager Generic driving-related risk assessments to be reviewed Business Risk Manager to progress work on other recommendations outlined in the fleet and driver review	ACFO Service Support
Budget performance	The risk that revenue or capital budgets will significantly overspend or underspend	4	4	16 VH	Medium-term financial strategy. Annual review of budget planning assumptions. Finance staff work with budget managers to develop realistic budgets. Regular budget monitoring reported to CMB and F&R Committee	3	3	9 H		ACO Finance & Resources

Risk Title	Risk Description	L	I	Risk Score	Existing Controls	L	I	Risk Score	Further Controls Required	Risk Owner
Employee and Member conduct	Any or all of the following risks: the Service will suffer a major irregularity or fraud unethical behaviour or misconduct on the part of employees or members	3	4	12 VH	Finance and Business Risk Management function Effectiveness of financial internal controls assessed by internal audit function Scheme of financial management Counter-fraud policy Indemnity insurance (does not cover fraud)	2	3	6 M	HR currently undertaking a review of the Code of conduct for Employees CMB to discuss and agree how to review the Code of conduct for Members	ACO Finance & Resources
Legal compliance	The risk that the service will fail to comply with legal requirements	4	5	20 VH	Professional experts employed in areas such as HR, finance, procurement, health & safety Monitoring Officer Business Risk Manager helps to identify vulnerabilities Use of external lawyers to advise on compliance in areas not covered by in-house expertise Policies and procedures setting out expectations for compliance with legal requirements	2	5	10 H	Director of Finance and Resources to consider how to effect quality assurance in respect of outsourced areas of work	DCFO
State aid challenge	The risk that the Service will be required to pay a proportion of any fine levied by the EU in respect of alleged state aid to FRS trading companies	3	2	6 M	If state aid is proven, NFRS (Trading) Limited does not make sufficient profit to meet the deminimus limit for liability to attach.	3	2	6 M	Maintain engagement with progress of the case, establish whether any other related costs may be recharged and establish potential impact on general reserves	DCFO

Risk Title	Risk Description	L	I	Risk Score	Existing Controls	L	I	Risk Score	Further Controls Required	Risk Owner
Major ICT systems	The risk that the Service fails to identify or make adequate resource provision for on-going updating and development, resulting in earlier obsolescence and sub-optimal functionality, or the need for costly reactive technical support	5	3	15 VH	Project management process in place Post implementation support considered as part of the project management process	3	3	9 H	Tri-service review of major ICT systems to identify potential for joint working on support provision	DCFO

Risk Title	Risk Description	L	I	Risk Score	Existing Controls	L	I	Risk Score	Further Controls Required	Risk Owner
Service Priority: Engagement and Partnerships										
Preventable deaths	The risk that a person will die in a incident, where the Service failed to put in place an intervention which would have reduced the risk, or where an intervention was ineffective	4	5	20 VH	Operational response Work with partner agencies to identify and target high risk individuals with community safety interventions Fire investigations can identify instances where interventions were not made, or were ineffective Risk Reduction initiatives being evaluated for effectiveness Serious fire incident review panel in place to investigate 'near misses'	2	5	10 H		DCFO

Risk Title	Risk Description	L	I	Risk Score	Existing Controls	L	I	Risk Score	Further Controls Required	Risk Owner
Service Priority: Environment										
Avoidable environmental impact	The risk that the Service will fail to comply with environmental legislation resulting in the potential for enforcement action Failure to give consideration to environmental factors when making other business decisions may result in missed opportunities for financial savings, reducing waste and emissions and purchasing environmentally superior assets of consumables	3	5	15 VH	Energy saving and generation considered as part of new build/refurbishment projects Emissions control considered as part of vehicle procurement Access to competent environmental advice	2	5	10 H	Environmental risk management audit due by 2014 Develop environmental strategy based on findings of the audit Integrate and embed environmental priorities into day-to-day business Set targets for the reduction of waste, energy consumption and fuel usage	ACFO Corporate Support

Risk Scoring Matrix

Impact \ Likelihood	1 Negligible	2 Minor	3 Moderate	4 Significant	5 Severe
5 Severe	Medium	High	Very High	Very High	Very High
4 Significant	Medium	High	Very High	Very High	Very High
3 Moderate	Medium	Medium	High	High	High
2 Minor	Low	Low	Medium	Medium	Medium
1 Negligible	Low	Low	Low	Low	Low

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